EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,327

Wednesday December 12 1990

D 8523A

Austria	Sch24	Iran	[illegible]	Pakistan	Rs35
Bahrain	Din0.700	Israel	Shk3.50	Philippines	Pso40
Belgium	BFr55	Italy	L2000	Poland	Zl 9,000
Cyprus	C£0.90	Jordan	JD1	Portugal	Esc165
Denmark	DKr12.00	Korea	Won 2000	Qatar	QR8.00
Egypt	E£3.25	Kuwait	Fils.600	S.Arabia	SR8.00
Finland	FM9.50	Lebanon	[illegible]	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr150	Morocco	MDh8.00	Switz	SFr2.50
Hungary	Ft137	Neth	Fl 3.25	Thailand	Bht50
Iceland	IKr150	Nigeria	Naira12	Tunisia	Din0.800
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3100	Oman	OR1	UAE	Dh7.00

ROMANIA

Discontent prompts political change

Page 2

World News

Albania to legalise opposition parties

Albania's ruling Communist Party said it would permit opposition political parties as it moved to purge hardliners from its own politburo.

The dramatic shift within Europe's last orthodox communist state came during a third day of anti-government student demonstrations in the capital, Tirana. Page 16

US assures Israel

President George Bush told Yitzhak Shamir, the Israeli prime minister, that the US would not link Iraqi withdrawal from Kuwait to the fate of Palestinians in the occupied territories. Page 16; Gulf reports, Page 6; Hurd hints at swift war, Page 7

Campaign grows

Pressure mounted on Bangladesh's interim leaders to arrest former president General Hossain Ershad for allegedly plundering the country's scarce foreign exchange reserves. Page 6

Tyminski vow

Defeated presidential candidate Stanislaw Tyminski, under investigation for "demeaning a state organ", finalised plans to fly back to Canada. But he vowed he would return to settle in Poland. Page 2

Township violence

South Africa ordered army and police reinforcements into the black township of Thokoza after street fighting killed about 35 people and wounded 50 in less than 10 hours. Picture, Page 6

Swiss bank 'swindle'

Bank Leu, Switzerland's oldest bank, disclosed that one of its managers had defrauded it of $50m in just one year.

Solzhenitsyn win

Russian writer Alexander Solzhenitsyn, expelled from the Soviet Union in 1974 for his accounts of Stalinist tyranny, has been awarded the Russian state literature prize.

Canada goes green

Canada announced a sweeping "Green Plan" to safeguard the air, land, and water, as well as a new effort to work with the United States on cleaning up the Great Lakes.

Japan buffeted

Tornadoes and wind storms battered western and central Japan, killing one person, leaving six others missing at sea and injuring more than 30.

Helicopter downed

Leftist Salvadorean rebels forced down a military helicopter in the northern province of Chalatenango as fresh fighting elsewhere claimed at least 44 lives.

China irked by costs

China has stepped up criticism of Hong Kong's expensive port and airport plans by accusing the Hong Kong government of duplicity over estimating costs. Page 6

Money for Romania

Romania said it had withdrawn around $100m from the International Monetary Fund one week after announcing it needed foreign funds to avert economic collapse.

Libya attacks US

Libya accused the US of "international piracy" for airlifting hundreds of Libyan prisoners of war out of Chad.

Havel confident

Czech president Vaclav Havel embarked on a four-day visit to Spain and Portugal despite a grave threat from growing nationalist tensions that could split Czechoslovakia. Page 3

Balloon hits tower

Four people fell to their deaths after their hot air balloon sailed into a 300m television tower near downtown Columbus, Ohio.

Business Summary

SCA moves to strengthen hand with MoDo stake

SCA, Sweden's second largest pulp and paper company, has become the largest shareholder in MoDo, the country's third biggest forestry group, in a SKr1.4bn ($255m) deal that will lead to a new strategic alliance in the European forestry industry. Page 17

MARKETS: New York: At mid-session, Dow Jones Industrial Average was down 10.89 at 2,585.89. Tokyo: Nikkei was up 172.30 at 23,956.97. Frankfurt: DAX index fell 12.12 to 1,492.68. Back Page, Section II

PORTUGAL'S privatisation programme regained its momentum with sale of a 33 per cent stake in the Banco Portugues do Atlantico, the state-owned commercial bank. Page 17

JOHN Fairfax Group: Australian investment company Jamison Equity may buy the media group which went into receivership on Monday. UK publisher Robert Maxwell and Pearson, publisher of the Financial Times, are also interested in parts of the group. Page 17

ELECTRICITY privatisation: The premium on the package of shares in the 12 UK regional electricity companies exceeded all expectations by closing just over 50 per cent up on the starting price. Page 16

JAPAN: The director general of the government's Economic Planning Agency has warned of a slowing in some economic sectors and urged Bank of Japan to ease monetary policy. Page 6

FERRANTI, UK electronics group and victim of alleged £215m ($413m) fraud by its US subsidiary, expects to be trading profitably by the spring, chairman and chief executive Eugene Anderson said. Page 17

AMERICAN Telephone & Telegraph suffered a minor setback in its battle to take over US computer maker NCR when a Maryland judge dismissed its lawsuit seeking a relaxation of the state's merger laws. Page 18

GENERAL Motors, largest US vehicle manufacturer, is to launch digital cellular products through its Hughes Aircraft subsidiary. Page 18

GERMANY is seeking bids from foreign construction companies to help carry out DM7.8bn ($5.14bn) worth of orders to build accommodation in the Soviet Union for Red Army soldiers leaving eastern Europe. Page 5

EUROPEAN Commission moved closer to settling its long-running fisheries dispute with Canada, with a set of proposals on quotas which broadly accord with advice from North Atlantic Fishing Organisation. Page 25

BEUMER Maschinenfabrik of Germany and US engineering company Austin are part of a consortium awarded the contract for a baggage handling system at controversial Kansai International Airport in Japan. Page 5

CARDO, Swedish holding company, has sold its Nife battery division to Saft, batteries subsidiary of France's Compagnie Générale d'Electricité, for SKr160m ($29m). Page 19

FOKKER, Dutch aerospace group, is to cut costs by Fl 200m ($120.5m) a year to ensure long-term profitability in face of continued weakness of the dollar. Page 19

ISS, Danish cleaning company, is paying SKr750m ($135m) for the cleaning operations of Electrolux's Environmental Services Group. Page 19

LLOYD Brasileiro: Financial crisis at state-owned maritime transport company of Brazil worsened this week with seizure of two ships. Page 18

Tokyo stand criticised ● Europe and Canada moves welcomed

US Treasury set to review bank trade

By Peter Riddell, US Editor, in Washington

THE US Treasury will review its policies towards liberalising trade in international banking and financial services.

The decision has been made in the light of a report showing that Japan, South Korea and many Latin American countries still impose restrictions on the entry and operations of US banks.

The Treasury's national treatment study concludes that progress in reducing barriers is not occurring as rapidly as the US would like.

It says: "Significant improvements have been made in Canada and in many European countries. Only modest progress has been made in many Asian economies, and numerous Latin American countries still maintain restrictive financial systems." It notes the imposition of new restrictions in Brazil.

The report says that in spite of "modest improvements" in admission of foreign concerns, the Japanese banking market has been difficult to penetrate.

It adds that the slow pace of liberalisation and deregulation has provided domestic banks with an unfair competitive advantage over foreign banks, both in Japan and globally.

Mr David Mulford, Treasury undersecretary for international affairs, said it was vital that Tokyo, which lags substantially behind New York and London in openness, should advance and join the other two centres.

Review: David Mulford

He said the Treasury would review its approach in the light of the new study and the state of the suspended Uruguay Round of trade talks, which include financial services.

The Treasury favours a national treatment approach under which foreign concerns are allowed to operate in the same way as domestic groups, whatever the regulations are in their home market.

The US opposes a reciprocity approach which would limit the operations of companies operating abroad to what their domestic governments permit foreign concerns to do.

Mr Mulford said the Treasury would be holding talks with Congress, where legislation – the Riegle-Garn bill – to give the Treasury additional negotiating leverage, was blocked at the last minute over an unrelated issue.

The legislation, which is expected to be revived next year, would set new standards for national treatment abroad and give the Treasury discretionary sanctions that could be used against the US affiliates of firms based in countries deemed unfairly to be discriminating against US financial service concerns.

The Treasury has opposed the measure so far because of fears that it might lead to widespread counter-retaliation.

However, without being specific, Mr Mulford said the department would "closely re-examine and reassess its previous position." There is already provision under existing law for changes in US regulations.

He noted the strong pressures to take action against Japan which had so far only just been avoided.

The report is also highly critical of the practices of South Korea in denying national treatment, in spite of promised improvements in access, and of many Latin American countries which are only beginning to open their investment systems.

Peace arrives too late for Africa's starving children

By Julian Ozanne in Morrua, Mozambique

THE only sign that life still inhabited the body of Manuel was his eyes.

They seemed huge compared to the rest of his body. His cheeks had caved in; his hair was thinning and turning yellow; the greying skin on his chest stretched tightly across his bony frame. He looked like an old, emaciated dwarf.

Manuel is three years old – and one of at least 15m Africans throughout the continent whose lives are at risk.

They are victims of drought, civil war, or a combination of both. The overall death toll, say aid officials, could well exceed the horror of the great Ethiopian famine of 1984-5 – when as many as 1m people perished – unless the world community acts urgently.

In the Ethiopian provinces of Eritrea and Tigray, at least 5m people urgently need food. More than 1.5m in the western Sudan province of Darfur have seen their crops fail, while hundreds of thousands of civilians in southern Sudan endure severe food shortages mainly as a result of the long-running civil war.

Across the continent, in southern Angola, some 2m people hit by war as well as drought await outside help.

Of Mozambique's 16m people, 4.3m are affected by hunger, 1.9m are displaced from their homes and land and a further 1.1m are refugees outside the country's borders. Thousands will die within the next few months in a land which could, if it knew peace, feed itself.

But many aid workers wonder whether these fragile, war-weary governments can cope with their disasters and the aftermaths.

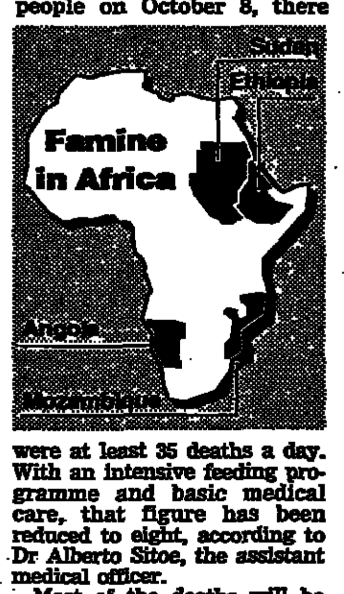
Social services and infrastructure have been ruined. Expertise is scarce, making it difficult if not impossible to implement the best of development plans.

The plight of eastern Europe and the Soviet Union are diverting donor attention. And higher oil prices are straining already weak economies.

Children such as Manuel, they fear, are part of a doomed generation. His companions, similarly weak and wasted, lay near him under the twisted branches of a mango tree which provided some shade from the 102 degree heat.

Some of these children gathered at the feeding centre in the village of Morrua will almost certainly die, despite the best efforts of World Vision, a US-based charity.

When the aid agency first arrived at this village of 22,000 people on October 8, there were at least 35 deaths a day.



With an intensive feeding programme and basic medical care, that figure has been reduced to eight, according to Dr Alberto Sitoe, the assistant medical officer.

Most of the deaths will be children and they will die from starvation, dehydration, diarrhoea and tuberculosis.

Along the dusty rutted path leading from the airstrip to the feeding centre, huge graves dug between the cassava fields testify to the tragedy which has befallen Morrua and many other villages in Mozambique.

"When we first landed here a few people were staggering around with pieces of bark around their loins," said Mr Hjoe Devries of World Vision.

"Most were lying in their huts, just expiring to death. The cemetery was the only place crawling with people, slowly digging graves and putting piles of bodies in. It dawned on us there was a major hidden famine here. People were dying, keeling over in the silence of afternoon."

Outside a green plastic tent in the feeding centre at Morrua, Pedro Carta shows the scars across his cheeks, neck, back and stomach. Renamo rebels, backed first by white Rhodesia (now Zimbabwe) and until last year by South Africa, had sliced him open with a machete.

Pedro Carta had been in the small Baptist church at Morrua when Renamo arrived. Villagers praying were taken out and slaughtered.

He describes how the rebels tied the feet together of Pedro's two year-old son and three year-old daughter, grabbed their legs, and smashed their skulls against an orange tree.

It may sound perverse, but Morrua has been lucky. It has been liberated from Renamo control and opened up to relief operations. Down the road, 50km away, lies Mulevala, a village of 25,000 people and a place of acute starvation and death.

Last month, rebels attacked the village, killed 12 people, burnt down 300 huts and dug trenches across the airstrip, cutting off the village from relief airlifts and sealing its fate.

Aid workers believe that tens and possibly hundreds of thousands of people – like the villagers of Mulevale, trapped behind rebel lines of Mozambique's civil war – are on the brink of starvation.

Reports from behind the lines paint a picture of rape and pillage, murder, forced labour, looting and theft.

There are also accounts of unpaid and unfed government troops deserting the army for the richer pickings of banditry.

If the civil war ever had a reason, it has now disappeared. The government has given in to many of the demands made by Renamo: a multiparty democracy, a mixed economy, integration of rebels into the army and the abandonment of socialism as state doctrine.

A partial ceasefire was signed last weekend and further talks are expected in January.

But for millions of Mozambicans peace will have come too late.

Boris Yeltsin supporting Mikhail Gorbachev's Union Treaty proposal in the Russian parliament yesterday

Russians agree to talks on new union treaty

By Quentin Peel in Moscow

THE Russian parliament yesterday agreed to take part in negotiations on a new union treaty launched by Soviet president Mikhail Gorbachev.

However, Mr Boris Yeltsin, the Russian president and Mr Gorbachev's greatest political rival, called for an extended period of talks to give all 15 republics the greatest possible opportunity to participate.

Although the vote should have been a foregone conclusion, it is nevertheless an important victory for Mr Gorbachev. He is fighting an increasingly desperate battle to hold the union together, in the face of demands for total secession, or at least sweeping devolution of power, from many of the Soviet republics.

However, the Russian congress proposed much more limited central powers than those sought by Mr Gorbachev. Its resolution would make the centre responsible only for defence, state security and foreign policy, and not for any economic areas such as transportation and energy.

At the same time, the deputies showed their rebelliousness by passing two resolutions to restrict the use of Soviet armed forces. The first calls on Mr Gorbachev and the Supreme Soviet "not to allow the Soviet Union to be drawn into a military conflict in the Gulf".

The second, a more direct challenge, "asks the Soviet president and parliament to take urgent actions to stop the use of the armed forces in settling ethnic conflicts and other crisis political situations". Instead, it says, the republics should form their own "peace-keeping units".

Yesterday Georgia, the

Continued on Page 16
Refugee 'timebomb', Page 3

Occidental chairman Armand Hammer dies at 92

By Martin Dickson in New York

DR Armand Hammer, one of the most remarkable US entrepreneurs of the 20th century, and the man who built Occidental Petroleum from nothing into one of the world's leading oil companies, died on Monday night at his home in Los Angeles, aged 92.

A company announcement said Dr Hammer had suffered from a brief illness, which it did not specify. He will be succeeded as chairman and chief executive of Occidental by his heir-apparent, Mr Ray Irani, 55, a Lebanese-born chemical engineer who has been the company's chief operating officer since 1984.

Occidental shares rose in heavy trading volume as analysts forecast that Mr Irani would improve the group's financial results by selling off peripheral, poorly performing businesses to which Dr Hammer had been attached, and reducing its heavy debt burden. There was also speculation that the company might attract a takeover bid.

Occidental stock was up $1⅝ to $22⅝ at lunchtime in trading on the New York Stock Exchange.

Apart from Occidental, Dr Hammer was best known for his links with the Soviet Union, which stretched back beyond the Cold War to 1921, when he met Lenin during a visit to the country and became the first western capitalist permitted to do business there. Although sometimes accused of being a communist stooge, he became a tireless campaigner for better east-west relations.

Mr Mikhail Gorbachev, the Soviet president, yesterday sent a message of condolence to Dr Hammer's family, saying he had been "associated with one of the most remarkable pages" of Soviet-US relations.

Dr Hammer, a consummate self-publicist and a man of immense vanity, was also well known as a philanthropist and art collector.

After a remarkably varied career, Dr Hammer made a $100,000 investment in the mid-1950s in a tiny, near bankrupt oil drilling firm, Occidental, which struck crude in California. He became chief executive and over the next 30 years ruled the company with an iron will, building it into one of the leading US energy companies.

Obituary, Page 4; Observer, Page 14; Lex, Page 16

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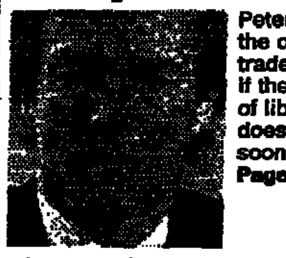
British trade minister points the way forward for Gatt



Peter Lilley says that the outlook for world-trade is "pretty grim" if the Uruguay Round of liberalisation talks does not resume as soon as possible. Page 5

MARKETS

STERLING
New York:
$1.938 (1.9442)
London:
$1.9395 (1.9445)
DM2.8700 (2.8625)
FFr9.7450 (9.7325)
SFr2.4575 (2.455)
Y256.00 (256.50)
£ Index 93.1 (93.3)

GOLD
New York: Comex Feb
$373.6 (375.9)
London:
$371.25 (374.05)

N SEA OIL (Argus)
Brent Jan
$28.25 (27.70)

Chief price changes yesterday: Page 17

DOLLAR
New York Lunchtime:
DM1.4785 (1.47225)
FFr5.0210 (5.0035)
SFr1.2680 (1.2612)
Y132.43 (132.2)
London:
DM1.4800 (1.4725)
FFr5.0250 (5.005)
SFr1.2665 (1.2625)
Y132.05 (131.85)
$ Index 60.5 (60.3)
Tokyo close:Y131.75

US lunchtime rates
Fed Funds 7%
3-mo Treasury Bills:
yield: 7.05%
Long Bond:
$105\frac{5}{32}$
yield: 8.10%

STOCK INDICES
FT-SE 100:
2,165.8 (−16.7)
FT Ordinary:
17,060.0 (−15.5)
FT-A All-Share:
1,042.43 (−0.7%)
New York
DJ Ind. Av.
2,586.14 (−10.64)
S&P Comp
326.77 (−2.12)
Tokyo: Nikkei
23,956.97 (+172.3)

LONDON MONEY
3-month interbank:
closing $13\frac{5}{8}$% ($13\frac{1}{16}$)
Liffe long gilt future:
Mar $90\frac{7}{32}$ ($89\frac{13}{32}$)

EC citizens favour common defence

By Lucy Kellaway in Brussels

ALMOST seven out of 10 EC citizens favour a common Community policy on security and defence matters, according to an opinion poll published by the European Commission yesterday.

The issue is likely to be one of the hottest at the inter-governmental conference on political union which starts in Rome this Saturday. The opinion poll reflects how quickly momentum has grown in favour of the proposal, which was barely considered a serious option four months ago.

Member states appear increasingly in favour of such a policy. Chancellor Helmut Kohl of Germany and President François Mitterrand of France wrote to EC countries last week strongly supporting the idea.

On Monday, Mr Douglas Hurd, the British foreign secretary, supported their views in arguing for a stronger body to represent Europe's security interests.

The poll showed that more and more Europeans favour closer co-operation between member states in all spheres, with strong majorities in favour of all the key proposals for reform to be considered over the weekend. Some 64 per cent say the European Parliament should have more power over decisions, alongside the national governments, on Community legislation. A majority – although a slightly smaller one than for defence policy – claim to be in favour of a common approach on foreign policy issues.

On monetary union, 55 per cent favour a single currency that would replace national currencies in five or six years, with only 18 per cent against. Only in the UK and Denmark is there any significant opposition to the idea, with 43 per cent of Britons opposed to a single currency and only 38 per cent in favour.

The Gulf crisis seems to have been important in forming EC citizens' views on the need for closer foreign and defence policies. Seventy per cent said the best EC response to the Gulf would be to form a common defence organisation.

Romanian ruling party faces challenge from new alliance

By Ariane Genillard in Bucharest

THE political domination of Romania by the ruling National Salvation Front (NSF) may be coming to an end as discontented and disillusioned Romanians rally behind the newly formed Civic Alliance and opposition trade unions.

The organisers of the movement consist mainly of intellectuals, the same people who formed the opposition which staged a 53-day siege of University Square in Bucharest in the summer.

Civic Alliance posed the first serious challenge to the NSF last month during the third anniversary of the workers' uprising in the Transylvanian city of Brasov.

In what amounted to the largest anti-government demonstration since the December revolution, over 100,000 demonstrators called for the resignation of President Ion Iliescu.

The demonstration followed a government announcement that prices on non-essential items would be increased by 100 to 120 per cent. But it also reflected disappointment among those who gave the NSF its landslide victory in last May's elections.

"If the workers had been told what was going to happen, if both good and bad were expected, they would have supported the government through any hardship," explained Mr Iulian Cornodeanu, secretary of Civic Alliance.

"But the government lied to them before the election and never prepared them for the difficulties ahead."

The unions are now threatening to strike in protest against the government's economic policies. Civic Alliance is also benefiting from persistent accusations that the NSF has failed to carry out a dialogue with non-governmental groupings, that the full truth about the December revolution has yet to be disclosed, and that the NSF has not explained the background to the riots in June during which miners ransacked Bucharest.

The alliance, which has close links with the opposition trade unions, has created special commissions on social, economic and judicial problems. Its alternative economic programmes have been drawn up by Mr Constantin Cojocaru, a western-educated Romanian economist. It also wants to highlight the failure of opposition parties to move beyond internal divisions.

"Ceausescu left us a society with no political consciousness. That explains the small audience of opposition parties. Civic Alliance, instead, intends to form a large extraparliamentary bloc beyond political parties," says Mr Cornodeanu.

Mr Gabriel Andreescu, a co-ordinator, believes that "once a restructuring of the Romanian society is achieved, political parties will regain some strength."

Civic Alliance sees any restructuring of Romanian politics as impossible under the present government. Its leaders say their next step will be to force the government, by means of increased support from the trade unions, to call elections next spring. The real support for the NSF and the Civic Alliance would then be put to the test.

Move to free prices put off

THE Romanian government yesterday bowed to public pressure and agreed to postpone until June 1 its price liberalisation programme which was to have begun next month, writes Ariane Genillard.

In addition, prices on essential items such as meat, dairy produce, rents, electricity and gas, which were to be reset in January and kept constant throughout 1991, will not be changed. Prices on non-essential items were raised by 100-120 per cent on November 1.

The decision follows demonstrations by trade unions. A coalition of trade unions has threatened a general strike today. "We were disappointed by enterprises who over-charged just to cover their losses," said Mr Bogdan Balthazar, the government spokesman. "The liberalisation of prices became an easy way to maintain inefficiency and lack of productivity."

Mr Ion Iliescu, the Romanian president, yesterday held a meeting between the government and trade union leaders to try to break the deadlock. Union leaders dropped their demand that the government of Mr Petre Roman should resign but instead demanded the dismissal of four ministers. According to the union leaders, Mr Roman agreed to reconsider a restrictive strike law and an unemployment benefits law currently being debated in parliament. Last night, they were considering whether these concessions were enough to avert today's strike.

Merger falls outside EC jurisdiction

THE British paper manufacturer Wiggins Teape Appleton Plc said the European Commission ruled that its proposed merger with French paper group Arjomari-Prioux did not fall within EC jurisdiction, Reuter reports from London. The European Community's Executive Commission in November began an official probe into the Wiggins/Arjomari merger, which would create Europe's third biggest paper manufacturer.

In Brussels the Commission, which has powers to block large mergers likely to reduce competition in EC industry, said in a statement the deal did not fall under its jurisdiction as the firms' worldwide aggregate sales were below Ecu5bn ($6.80bn).

Stanislaw Tyminski inspects his summons yesterday

Walesa challenger vows to fight on

By Christopher Bobinski in Warsaw

MR Lech Walesa, Poland's president-elect, pledged allegiance to his country yesterday at Czestochowa, the national Catholic shrine, while his defeated rival, Mr Stanislaw Tyminski, announced he would make a foreign trip but return to settle in Poland.

Mr Walesa, standing at the altar with his wife, Danuta, pledged to "sacrifice myself entirely to the service of the nation." He said he was aware of his "responsibility towards God, the nation, history and my conscience."

Mr Tyminski, who is under investigation for "demeaning a state organ" after accusing Mr Tadeusz Mazowiecki, the Prime Minister, of under-valuing state companies now being privatised, said he would fly to Canada this morning.

The state prosecutor's office yesterday arranged for him to be questioned on the charge to enable him to catch his flight.

At a press conference, Mr Tyminski said he was ready to face the charges. If the case came to court it could turn into a trial of Poland's entire privatisation process. Mr Tyminski also indicated he wanted to pursue a political career in Poland and was considering establishing a new movement.

In Gdansk, the Solidarity trade union's national committee opened a two-day meeting which will today discuss who should lead the movement until an extraordinary congress can be called in the second half of January.

Mr Walesa is due to address the Solidarity leadership, whose feathers were ruffled when he indicated he wanted Mr Bogdan Borusewicz, a close aide, to run the union until a successor can be elected.

Other union leaders, including Mr Andrzej Slowik Lodz, who wants the job, consider that this gives Mr Borusewicz an unfair advantage.

The union's rules leave the choice of an interim leader to the national committee.

Nepotism charge levelled at banks

Sari Gilbert on a growing battle between Italian unions and banks

CHARGES of nepotism have been raining down on the Banco di Napoli because of a plan to pension off 700 older employees and replace most of them with their own children.

Nepotism is not uncommon in Italy, and recently Mr Franco Piga, the minister for state shareholdings, began taking steps to block the practice in the highest echelons of the state holding groups.

At the Banco di Napoli, however, looking after one's nearest and dearest has become an article of management policy.

Mr Ferdinando Ventriglia, the Bank's powerful director general, who as a Christian Democrat has little to learn about the art of patronage, says that hiring employees' children is a respected part of the 100-year old bank's tradition.

The local, in-bank unions, have smiled on the practice. Two years ago an in-house agreement between management and labour established that for every 100 people hired by the bank, 25 could be chosen from among the offspring of employees who would take aptitude tests rather than a public entrance examination.

But the idea of keeping some 500 of the newly vacant slots in the family has been attacked by Italy's national unions who have taken their case to Mr Carlo Donat Cattin, the labour minister and Mr Guido Carli, the treasury minister. They charge that the lack of a proper entrance examination will discriminate against better qualified people.

Furthermore, they say, the scheme is doubly unacceptable because of the high unemployment in the Naples area.

The plan to hire progeny of the early retirees should be rejected, says Mr Luca Borgomeo, secretary of CISL, the socialist-dominated national trade union confederation.

A statement issued jointly by the communist-dominated CGIL trade union confederation and the Chamber of Labour of Naples criticised the scheme on the grounds that it would set a precedent for giving dependents' children a hereditary right to the parent's job.

"This contradicts the fundamental constitutional principle of equality in the work place," the statement asserted.

However, Mr Guido Brunelli, the CGIL's chief representative within the Bank of Napoli, says the idea must be accepted, "even if I have to hold my nose to do it".

For at times principle must sometimes be sacrificed.

"Ideologically, I continue to feel that it is a mistake to hire the son in exchange for the father's voluntary retirement. But this early exodus is an exceptional measure designed to relaunch a bank that plays an important role in the south," insists Mr Brunelli.

With 12,400 employees and more than 500 branches, the Banco di Napoli is currently one of Italy's top five banks in terms of funds under management, the eighth in terms of cash flow. But the bank, which some have accused of having a politically sensitive loan policy, has severe problems of inefficiency and undercapitalisation.

Low profits and high labour costs have led Mr Ventriglia to propose pensioning off a total of 1,000 employees and replacing them with younger workers better able to cope with today's automated and electronic systems.

Some 400 dependents chose early retirement in January of this year, for the most part sacrificing special financial incentives in exchange for the enrolment of their sons and daughters.

With or without its nepotist elements, if implemented the early retirement scheme will allow the bank to take advantage of special provisions in the recently passed Amato law on bank restructuring, which is designed to make Italian banks more competitive and to equalise disparities among them.

The special provisions, which also apply to nine other Italian banks, will provide a saving by allowing credit institutions which previously handled their own pension schemes now to come under the umbrella of INPS, the national social security and pension system.

EUROPEAN NEWS

Moscow is grappling with the explosive issue of massive forced migration within the Union, writes Leyla Boulton

Soviet refugee 'timebomb' could blow away reforms

KIMA Grigorian, a retired electronics engineer, pointed to her anorak and trousers: "All I have is this uniform. I have no home, clothes or crockery."

The tidy 56-year-old Soviet woman, standing in front of a tent in central Moscow, does not look like everybody's idea of a refugee. She does not even fit the United Nations definition of a refugee because she has not left her own country.

But a refugee is what she is, one of more than 600,000 Soviet citizens who have lost everything because of a string of ethnic and nationalist explosions in Soviet republics.

While the rest of the world fears the relatively remote possibility that a stream of hungry Russians will pour out of the country, the Soviet Union is struggling with a desperate internal refugee problem.

One of the Soviet Union's first internal refugees, Miss Grigorian abandoned her flat and 800-volume library to escape anti-Armenian pogroms in the Azerbaijani town of Sumgait in March 1988. She moved to neighbouring Armenia, but they could not help there.

Still homeless more than two years on, she decided to camp in front of the Kremlin in protest along with 40 other homeless Armenians. As outlying republics struggle for more independence, millions of settlers of Russian nationality and from other ethnic minorities are said to be "sitting on their suitcases", ready to join existing refugees.

"This a bomb ticking away under perestroika. It could blow the whole process apart", says Ms Lydia Grafova, a journalist at Liternaturnaya Gazeta weekly who has spearheaded a public campaign to help refugees.

The current human tragedy could indeed prove to be the tip of an iceberg. There are 60 million people in the Soviet Union who live outside their ethnic homelands, out of a total population of 287m.

The government in Moscow meanwhile is still trying to come to grips with a problem which simply did not exist four years ago.

"At first the problem was local and then it got bigger," says Mr Vladimir Makarov, a senior official at the State Labour Committee which coordinates refugees relief efforts. No fewer than 60 ministries deal with refugees but the results of the vast Soviet bureaucracy's efforts are meagre.

Many refugees still depend on friends and relatives. The government has given each refugee a one-off payment of Rbs100 (£93 at the official exchange rate), rather less than half an average month's wages, plus Rbs200 for clothing and food. It has also tried to squeeze as many people as possible into hotels and sanatoriums.

Long-awaited legislation spelling out the status and rights of "forced migrants" has only just been submitted to parliament. However Mr Makarov does not expect it to be examined by the Supreme Soviet until the spring.

This is why his committee, Goskomtrud, is also trying to get it passed by presidential decree. "Refugees are the most deprived people in the Soviet Union," says Ms Grafova, who is trying to initiate private projects to help. But that too is difficult in a country used to state sponsorship, however shaky, from cradle to grave.

One reason for the delay in drafting the legislation, confesses Mr Makarov, was fear that its promise of a place to live and a three-month subsidy would unleash an uncontrollable flood of migrants, although "that (view) has since been overcome," he explained.

With ordinary people queueing for years to get a flat, any perception of refugees getting priority treatment is potentially explosive. "If refugees join the end of the queue they will get housed only in the next century. If they jump the queue, they will be killed," says Ms Grafova.

Nine million inhabitants of Russia, the main destination for refugees, are already waiting for housing. This is why Mr Makarov favours "compact settlements" built from scratch. The problem is that the refugees mostly want to live in towns or cities.

Mrs Elvira Shakhramanova, a Russian shop assistant, fled the Azerbaijani capital of Baku in January with a suitcase and her eight-year-old daughter after Azerbaijani gangs started hunting out Armenians and Russians.

She now lives in a dilapidated tourist complex 30km outside Moscow. But nobody will give her a job in Moscow because she does not have a residence permit. And she has turned down a government offer to work in a collective farm. "I am scared of animals, what would I do out there in the sticks?"

Mr Makarov says that nobody will be forced to accept work they do not want. But even when the new law is passed, the cash-strapped government is unlikely to afford the estimated Rbs1bn needed to implement it.

A law to facilitate emigration out of the Soviet Union may provide a way out for some but new restrictions abroad on increasing numbers of Soviet immigrants will make this a limited solution. It is likely that the Soviet Union will have to appeal for foreign help to tackle the crisis internally. But it is unlikely to ask and donors are unlikely to react until the problem blows up.

This is the second of two articles on the dislocation of Soviet citizens. The first appeared last Tuesday.

Mkhetian women refugees gather at a camp after ethnic violence in Uzbekistan last year

Tokyo may send aid to Moscow

By Robert Thomson in Tokyo

THE Japanese government indicated yesterday it may provide emergency assistance to the Soviet Union, although an outstanding territorial dispute blocks the path to a quick decision.

Mr Toshiki Kaifu, the prime minister, prompted by other international offers of assistance, said the government was monitoring the Soviet situation closely and studying a range of options for aid.

The government has been reluctant to provide assistance until the settlement of a dispute over the Kurile Islands, now under Soviet control, but Tokyo fears continuing toughness will be out of step with international goodwill towards Moscow.

Members of the ruling Liberal Democratic Party have urged the government to provide emergency help to improve bilateral relations before the planned visit to Tokyo of President Mikhail Gorbachev next April.

Mr Taro Nakayama, the foreign minister, insisted Japan was in a different position from other countries because of the territorial dispute, but said the aid question could be dealt with next month at a bilateral meeting.

Czechoslovak republics debate fiscal policies

By Judy Dempsey, Eastern Europe Correspondent

CZECHOSLOVAK President, Mr Vaclav Havel was yesterday confident enough to begin a four-day visit to Spain and Portugal despite his gravest warnings to date that growing nationalist tensions could lead to the breakup of Czechoslovakia into two separate states.

His warnings were made on the eve of a debate in the Federal Assembly, which yesterday attempted to seek rapprochment between Slovak nationalists and representatives from the Czech Lands of Bohemia and Moravia.

The latter fear that more autonomy for Slovakia would eventually lead to its complete independence from Prague.

During a lengthy debate, the parliament was entrusted with the task of devolving considerable powers to the two republics, particulary in economic matters.

However, fiscal, foreign and defence policy would remain within the ambit of the federal authorities. It is expected that autonomy will fall way short of Slovak leaders' demands for a separate telecommunications and postal systems as well as the division of the country's oil and gas pipelines from the Soviet Union.

The suggestion that these pipelines would be divided prompted fears among the Czech National Council (the republic's parliament) that crucial energy supplies would be cut off to the Czech Lands.

Yesterday, Mr Franitsek Miklosko, leader of the Slovak National Council said in Mlada Fronta, a daily, that Mr Havel's speech was "very dramatic . . . we are aware of the seriousness of the situation and the Slovak side will in no way go into a conflict".

Even if agreement is reached on what powers should be devolved to the two republics, demands for Slovak independence will not be diluted.

Signs that this remains high on the poltical agenda were confirmed last month during the first, free local government elections for several decades.

The Slovak Christian Democratic Movement, led by Mr Jan Carnogursky, an astute politician, won 27.4 per cent of the vote by skillfully appealing to national sentiment.

Serbian election surprise may spur on Slovenia

THE RULING Communists' surprise election success in Serbia, Yugoslavia's biggest republic, could persuade its rival Slovenia to secede from the deeply-divided country, diplomats said on Tuesday, Reuter reports.

Unofficial early results from Sunday's election showed Serbia's populist Communist President Slobodan Milosevic set to keep his post. The Communists, who are now called socialists, were leading in the ballot for a new Serbian parliament.

With more than a fifth of the votes counted, Milosevic had more than 62 per cent of the presidential ballot and the communists led in many constituencies in the parliamentary race.

Diplomats said Serbs had shown they were wary of change and prefered Milosevic's tried and tested nationalist programme to unpredictable nationalism offered by the main opposition party, the Serbian Renewal Movement (SPO).

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Sir Geoffrey Owen. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Probe launched over Stasi links to De Maizière

By Leslie Colitt in Berlin

GERMAN interior ministry officials yesterday interrogated former officers of the Stasi security service over allegations that Mr Lothar de Maizière, the East German prime minister until unification last October, was an informer.

Mr de Maizière, who has denied the allegations, is deputy chairman of the Christian Democratic party (CDU) under Chancellor Helmut Kohl. Until the latest allegations he was regarded as a leading contender for a post in the new cabinet.

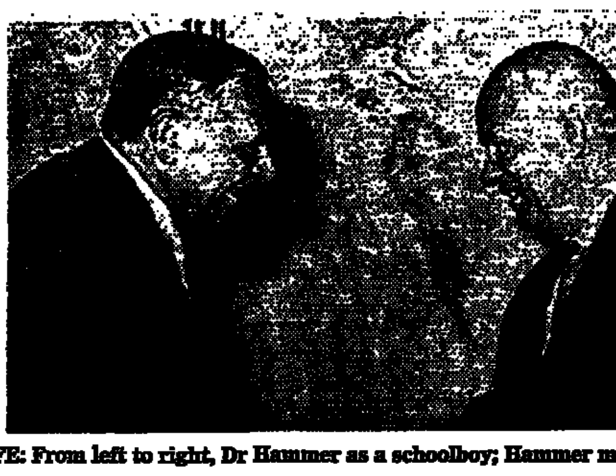
He has been accused by Mr Edgar Hasse, a Stasi officer who allegedly "managed" him, of providing information on dissidents and Protestant Church leaders since 1981. As a lawyer, Mr de Maizière had dissidents among his clients and was a senior lay official of the Church which protected opponents of the regime.

The former prime minister has been dogged since last summer by press reports claiming he was a Stasi informer. He has not denied having contacts with the Stasi, saying they were unavoidable for a lawyer, but he has insisted he was not an "informal collaborator".

In addition Der Spiegel magazine said a Stasi file card had been found under the name Czerny, bearing Mr de Maizière's east Berlin address. The card, however, was not initialled by the Stasi, which led to speculation in the east Berlin office of the Commissioner for Stasi Files that it may have been forged to incriminate Mr de Maizière.

Mr Ibrahim Böhme, a founder of the east German Social Democratic party (SPD) in September 1989, agreed yesterday to take voluntary leave of absence from his post in the SPD leadership, following renewed allegations that he was a Stasi informer. Mr Böhme resigned as head of the east SPD last March in the face of charges about Stasi ties.

AMERICAN NEWS


SCENES FROM A LIFE: From left to right, Dr Hammer as a schoolboy; Hammer meets Nikita Khrushchev in 1961; Hammer with Leonid Brezhnev in 1976; In Moscow greeting former President Reagan as Mr Gorbachev looks on; Hammer's 92nd birthday party this year

OBITUARY

Dr Armand Hammer: a blend of altruism and self-interest

DR Armand Hammer, who died on Monday at the age of 92, was one of the most remarkable business figures of the twentieth century – and one of the hardest to pin down. Through a blend of opportunism, drive and ruthlessness, he built a series of business fortunes.

But he craved much more. He wanted influence, which he defined as getting things done his way by going right to the top. He wanted to shape world events, by acting as a citizen diplomat shuttling between international leaders. And in his many philanthropic and cultural activities, he was driven by an unusual blend of altruism and self-interest.

Dr Hammer's private, business and public lives were built on a remarkable series of personal contacts, which he developed and exploited in a way that would have made lesser people cringe. He associated with Lenin and with Prince Charles, with Deng Xiaoping and Mrs Thatcher, and with most American presidents of the last half century.

He helped to break the ice with Mr Nikita Khrushchev in a visit to Moscow in 1961, and he had frequent access to Mr Leonid Brezhnev. On his 90th birthday, Soviet television showed a one-hour documentary about his life.

But there was another side to the man. He was the subject of four serious run-ins with the US Securities and Exchange Commission.

In 1976, he was convicted for making illegal contributions to President Nixon's 1972 election campaign. He appeared in court in a wheelchair apparently close to death and was spared prison on humanitarian grounds.

Last year, President Bush pardoned the offence on the recommendation of the Justice Department.

Dr Hammer was born in New York's Lower East Side on May 21 1898, the son of Russian immigrants. He was named after Armand Duval, the romantic hero of Dumas' "La Dame aux Camélias".

But it is likely that his father, a prominent figure in radical politics, also had in mind the symbol of the Socialist Labour Party – an arm and a hammer.

Dr Hammer's business acumen emerged at an early age. While studying medicine at Columbia University, he took over the running of his father's drugs business, and quickly noticed an extraordinary rise in the sale of one of its more obscure products – tincture of ginger.

In the early days of prohibition, a medicine which was 85 per cent alcohol was suddenly in hot demand. Mixed with ice cubes, it made a powerful highball. Dr Hammer promptly secured a world monopoly in ginger.

What changed Dr Hammer's life was a visit to the Soviet Union in 1921. Waiting six months after graduation to begin his medical internship, he determined to use his medical skills to help the victims of starvation and typhus in the Urals.

While visiting an asbestos mine, the great idea struck. The Soviets needed food: the US had a grain surplus. Hammer would ship grain in, and export in exchange commodities which were of little or no use to the depressed Soviet economy: furs, timber, semi-precious stones.

Lenin got to hear of the idea and liked it. He summoned Dr Hammer to Moscow for a meeting which was to achieve near mythological status in the Hammer saga.

"I felt almost as if I had been taken up to the top of a mountain, from which all Russia could be seen below, and Lenin had said, 'Take your pick.' This immense country, with its inestimable wealth of natural resources, its vast reserves of labour and its almost untouched potential, had been laid open to me by its leader."

He obtained the first private concession awarded by the Soviets: an asbestos mine in the Ural mountains. He established a large export-import business. Later he obtained a second concession: to own and operate the first pencil factory in the Soviet Union. Millions of Soviet citizens, including Khrushchev, Brezhnev and Chernenko, learned to write with Hammer pencils.

By 1930, Stalin was in power and not nearly so friendly. Dr Hammer left Moscow with a mountain of czarist art which he had snapped up at rock bottom prices and which he proceeded to sell off through a New York gallery and an extraordinary series of department store sales across the US.

For the next quarter of a century he wheeled and dealed. He made one fortune by correctly anticipating a run on beer barrels at the end of prohibition and another by spotting in 1940 that a shortage of whisky and a surplus of potatoes added up to an opportunity for a distillery business.

He also made fortunes in livestock feed and cattle. In 1956, he and his wife each put $50,000 into a struggling West Coast oil company with total assets of just $78,000. Occidental Petroleum was to become one of America's largest oil companies.

As usual, he was lucky – Occidental almost immediately struck oil. But there was also daring opportunism – the forays into Libya and the North Sea which made the company's fortunes – and personal bravery.

At crucial moments in negotiations with Col Gadaffi's Libyan government, Dr Hammer would slip unannounced in and out of Tripoli to turn the negotiations his way.

There was also plenty of controversy. Years after the event, Dr Hammer is still attacked by rivals as the man who sold out Western interests in agreeing to Libyan price demands in 1970: a move which has been described as the beginning of the end for the age of cheap energy.

The oil industry was his perfect outlet. It was big, wealthy and powerful. It brought endless scope for negotiations at the highest levels of state. It had room for grandly ambitious and risky projects which might or might not come off – a fertiliser deal with the Soviet Union said to be worth $20bn, a mindboggling plan to shift natural gas from northern Siberia to the US west coast, an international trade centre in Moscow.

There was the private jet, the innumerable press conferences, the non-stop work schedule. As he moved into his eighties, Dr Hammer seemed to become ever more dynamic.

For years, he ruled the company with what has been described as a "whim of iron". At least half a dozen executives were singled out as his heir apparent.

Although his shareholding was small, he treated the company as his personal fief: at one stage, he made a habit of asking his directors to give him undated resignation letters. His own employment contract extended to 1998, with renewal options, and the annual meeting was held on his birthday.

The lines between his own interests and his company's were blurred. Asked about its backing for Hammer's art collections, executives would respond wearily that the collection had provided "significant public recognition to the corporation."

Dr Hammer's motives and methods remain the subject of controversy. But his achievements will seem to be more important in the long run.

His business dynamism and energy, his steady championing of East-West relations, his cultural exchanges and his philanthropic efforts: all these add up to an extraordinary life story.

Occidental stock rises as Irani takes helm

STOCK markets do not respect the dead, not even Dr Armand Hammer. News of the Occidental Petroleum chairman's death prompted a sharp rise in the company's share price yesterday morning, as had past rumours of his demise, writes Martin Dickson in New York.

The unsentimental reason is a belief among most analysts that Occidental is likely to performing better under Dr Hammer's designated successor, Mr Ray Irani, than it has in recent years under the dictatorial Dr Hammer. Alternatively, it might attract a takeover bid.

While Dr Hammer may have been one of the most remarkable and individualistic businessmen of the 20th century, this has not translated into great profits for investors.

The Occidental share price is not much higher than it was at the start of the 1980s, while a broad basket of US oil stocks has almost trebled in value over the same period.

And on a wide variety of financial measures – such as profit margins, earnings per share, and total returns to investors – Occidental has badly lagged most other leading US oil companies.

The group's main attraction has been its unusually high dividend – giving a yield of about 10 per cent.

Nevertheless, Dr Hammer transformed Occidental over the past 15 years from a modestly sized oil company, with a high exposure to Libya, into a large, integrated energy and chemicals business. He shifted most of its interests to the US and maintained a high profile in Britain's North Sea, where its Piper Alpha platform suffered a catastrophic explosion in 1988.

OXY

Moreover, Occidental has one of the best records in the industry for finding oil at relatively low cost, for replacing its reserves and for cannily trading oil assets.

The problem has been that all this involved a heavy debt burden, while some of Dr Hammer's deals turned out to be none too profitable. The 1985 acquisition of Midcon, a big gas pipeline company, was hit by fierce competition, while Wall Street was baffled by the group's move in the early 1980s into the meat-packing business.

However, one of the group's most recent large acquisitions – that of Cain Chemical for $1.25bn in 1988 – proved successful, placing the company among the US petrochemical leaders, with a well-integrated, low-cost business. sales last year were more than $5bn, while earnings were just over $1bn.

Much of the credit for building the chemicals business goes to Mr Irani, a Lebanese-born chemist who came to Occidental from the presidency of Olin, another US chemicals company, in 1983.

Mr Irani – a man as retiring as Dr Hammer was social – is not expected to retain the late chairman's attachment to many of Occidental's less profitable peripheral activities.

Canadian Liberal leader wins election

By Robert Gibbens in Montreal

MR Jean Chrétien, Canadian Liberal leader, won a seat in the House of Commons on Monday, taking the riding (constituency) of Beausejour in New Brunswick with 52 per cent of the vote, against 38 per cent for a strong local New Democratic party candidate.

Beausejour, which is mostly French-speaking, has returned Liberals to Ottawa for 50 years and the strength of the NDP showing was a surprise.

The ruling Progressive Conservatives did not field a candidate.

Mr Chrétien, who held every important portfolio under Mr Pierre Trudeau, the former prime minister, re-enters the Commons after stepping out of active politics in 1986 when Mr John Turner won the race for the federal Liberal leadership.

Mr Chrétien won the leadership last June. He had represented his home riding of Shawinigan in Quebec through eight successive elections.

Mr Chrétien promises a strong fight for Canadian unity and will tackle the government of Mr Brian Mulroney, the prime minister, on economic and foreign policy issues. He is popular in English Canada but has a low approval rating in Quebec because of his lack of support for the Meech Lake Accord.

The accord, which recognised Quebec's distinct identity within Canada's constitution, foundered earlier this year amid bickering among provinces.

The Liberals also won the York North by-election in Toronto on Monday. Their candidate won 53 per cent of the vote against 34 per cent for the NDP and 10 per cent for the Tory candidate.

US growth next year 'to be 2.2%'

By Michael Prowse in Washington

THE US economy will be in recession for the next six months but should begin recovering before the end of next year, the National Association of Purchasing Management forecast yesterday.

The association, which publishes an influential index of industrial conditions, forecast overall economic growth next year of only 2.2 per cent, before allowing for inflation. This implies a significant contraction in real terms.

Mr Robert Bretz, chairman of the association's business survey committee, said factors bringing about recovery in the second half of next year would include "relatively strong growth of exports and a declining trend in inflation". The association expects the dollar to remain at current levels or fall in coming months.

It said business pessimism had greatly increased in recent months. Four out of five purchasing managers now expect recession in 1991, compared with only one in five in May. However, 51 per cent of members expect an improvement in the second half compared with only 11 per cent who see a further deterioration of the economy.

One of the factors pulling down growth is a sharp retrenchment of business investment. Purchasing managers said capital spending would rise only 1.4 per cent this year, before allowing for inflation, compared with 7.9 per cent in 1989.

Bond sales to foreigners down

DECLINING confidence in the US economy caused a sharp reduction in foreigners' purchases of US securities in the third quarter, the Commerce Department reported yesterday, writes Michael Prowse.

Foreign investors were net sellers of US shares for the fourth consecutive quarter but also sharply reduced their bond purchases. Net purchases of US Treasury bills slowed to $500m (£256m) from $3.6bn in the second quarter.

Net overseas sales of US securities, including Treasury bills, were $1.1bn compared with net purchases of $6.5bn in the second quarter and $23bn in the third period of 1989.

However, the reduced capital inflows were offset by a sharp decline in US purchases of foreign bonds and shares – to $900m from $11.2bn in the second quarter.

Argentina, UK improve ties

By Robert Graham

ARGENTINA and Britain yesterday signed an investment protection treaty underlining their commitment to improve commercial ties in the wake of restored diplomatic relations.

The treaty was signed in London by Mr Domingo Cavallo, Argentine foreign minister, and Mr Douglas Hurd, British foreign secretary.

Mr Cavallo, who wound up two days of talks with British officials and businessmen yesterday, was the first Argentine foreign minister to visit Britain formally since the 1982 Falklands conflict.

In his talks with Mr Hurd, the Argentine foreign minister stressed that the Menem government intended to make Argentine-UK relations a symbol of Buenos Aires' desire to play a responsible international role.

The visit follows an agreement at the end of November on measures to conserve fish stocks in disputed waters bordering the Falkland Islands. The agreement, to conserve stocks of the Ilex squid, involved a delicate but pragmatic approach by both sides to conflicting sovereignty claims.

On one occasion last month the personal intervention of the two ministers was necessary to avoid a breakdown in negotiations. Both sides concede that the improvement in relations has proceeded faster than expected.

Mr Cavallo believes this vindicates their approach of building a friendship on practical co-operation and ignoring nationalist rhetoric.

Yesterday's investment protection treaty is designed to encourage two-way investment with simple clear-cut procedures, including arbitration.

Since full diplomatic relations were established, Argentine exports have picked up quickly, averaging almost £20m a month compared to £3m previously.

British exports have averaged close to £13m a month. Prior to the Falklands conflict Argentina was annually exporting £137m to the UK.

Domingo Cavallo: friendship built on co-operation

Daley launches his bid for re-election

By Barbara Durr in Chicago

CHICAGO'S mayor Mr Richard Daley has launched his re-election bid in what promises to be a lively and bruising campaign. The mayor faces charges of racism and rampant government waste from challengers.

The mayor kicked off his campaign this week promising to cut property taxes, make municipal government more efficient and move beyond the racial divisiveness that has plagued the city. "This is no time to rekindle the battles of the past," he declared.

Mr Daley is the son of the Chicago political boss, the late Mr Richard J. Daley, who was mayor from 1955 to 1976. Mr Daley Jr. was elected in 1989 during a special byelection held to complete the term of Mr Harold Washington. Mr Washington, who was Chicago's first black mayor, died just a year into his second four-year term of office.

Mayor Daley, a less colourful and more businesslike figure than his father, is now standing for a full four year term. He faces a Democratic party primary election on February 26, to be followed by a general election against a Republican candidate – and possibly a black third party candidate – in April.

In the primary, Mr Daley will confront two opponents, Mr Danny Davis, the consensus candidate of a fragile coalition of black political factions, and Mrs Jane Byrne, a former mayor of Chicago and the only woman ever elected to that post.

The Chicago Democratic machine is not the powerhouse it was under his father – who could make or break presidential races – but Mayor Daley seems well in control of what's left of it.

With a relatively positive record for his first 20 months in office, he currently holds a substantial lead over his challengers in the primary and is widely tipped to win the April race.

Indexation threatens Brazil wages pact

By Christina Lamb in Rio de Janeiro

HOPES of a Brazilian social pact to ease economic reforms are fading after the government rejected a joint proposal by businessmen and unions to reintroduce indexation of wages to inflation.

The government's counter offer of a 3 per cent one-off *bonus* in January to those earning less than $500 (£256) a month was being ridiculed yesterday. Mr Jair Meneguelli, president of CUT, Brazil's largest union, said "the government has just buried any hopes of a national understanding".

The union had demanded a 493 per cent re-adjustment of salaries.

Businessmen were furious at the economic team's refusal to address the issues of high interest rates, which they say are driving many companies out of business, and the estimated $10bn owed to the private sector by state companies and governments.

Official monthly indexation was suspended in June by presidential veto. After the veto was declared unconstitutional the government introduced five provisional measures ending indexation, each lasting for a month before either lapsing or being defeated by Congress.

Unless the administration of President Fernando Collor de Mello can come up with an acceptable alternative it is expected to be defeated on the issue once more this week.

Negotiations on a social pact resume next Monday, but with the government adamant that indexation is the prime evil behind rising inflation, a compromise appears unlikely.

With inflation now 18.56 per cent a month, according to official figures released on Monday, workers are insisting on a return to the 30-year-old practice to prevent them suffering a massive drop in spending power.

The Economic Ministry has frequently warned that failure to obtain a social pact would result in a far deeper recession in order to force down inflation.

Cuomo backs NY newspaper strike

By Alan Friedman in New York

MR Mario Cuomo, governor of New York state and among the prospective Democrat candidates for the 1992 presidential election, has gone out on a political limb by voicing his support for strikers at The New York Daily News.

Governor Cuomo addressed a boisterous rally of 6,500 people outside the newspaper's headquarters late on Monday and called for federal legislation that would outlaw the use of permanent non-union workers.

He was joined at the rally by an odd coalition from the political right and left – including Cardinal John O'Connor, the Catholic archbishop of New York, and Mr Jesse Jackson, Democrat politician.

The News, which is owned by Chicago's Tribune group, has taken a hard line over the past seven weeks of the labour dispute, complaining about repeated instances of street violence and replacing its 2,300 striking workers with 1,300 non-union workers.

This fits with the management's strategy of slashing its workforce by half to save what it estimates as $70m (£36m) of excess operating costs.

The governor told the crowd to "stay strong" and said: "We need to establish a balance in this country between the people who work and the people who invest and manage."

The News has seen its circulation drop from 1.1m to 508,000 since the strike began in late October.

Mr James Hoge, the paper's publisher, has already dismissed past offers of mediation by Mr Cuomo.

WORLD TRADE NEWS

US company to share in $50m Kansai contract

By Robert Thomson in Tokyo

A CONTRACT for a baggage handling system for the controversial Kansai International Airport project was awarded yesterday to a consortium including Austin, a US engineering company, and Beumer Maschinenfabrik of Germany.

Competition for the $50m (£26m) contract had been overshadowed by US complaints that a people-mover system contract went unfairly to a Japanese consortium, and that the construction of the Y1,000bn (£3.87bn) airport, intended to be a model of open bidding, has been a closed shop.

Austin had indicated it would lodge a formal complaint if the contract went to the Japanese company which Japanese press reports several months ago suggested would be the likely winner.

Four consortia competed for the handling contract, and apart from Austin and Beumer, the winning consortium also includes Kawasaki Heavy Industries of Japan, which formed a partnership with the US company in 1986.

Austin said the company was "exhausted and delighted" after four years' preparation, and that the contract "marks our arrival in the Japanese market in a big way".

Controversy over contract procedures has compounded already serious construction delays for the Kansai International Airport Company (KIAC), which is building the airport on reclaimed land in Osaka Bay. The project was due to be completed in spring 1993, but is unlikely to open before autumn 1994.

Several US senators had suggested sanctions be imposed on Japanese construction companies in the US if the baggage handling contract did not go to a US company. In May 1988, Washington and Tokyo agreed on the 14 Major Projects Plan, designed to provide access for US companies to large Japanese construction projects, with the Kansai airport as the largest.

But the failure of AEG Westinghouse to win the ground transportation system contract and allegations of bid-rigging in a contract for reclamation work prompted US congressmen to demand Japanese companies be excluded from all US public works construction.

Brussels reopens case on Austrian steel 'dumping'

THE European Commission is to re-open an anti-dumping case against Austria, after complaints from UK producers that Austrian steel products are still being dumped on the EC market, Lucy Kellaway reports from Brussels.

The action by Brussels coincides with the final stages of difficult talks with Austria and other European Free Trade Association (Efta) countries on the creation of a European Economic space. If these are successful, one single EC-Efta market will leave no further scope for anti-dumping action between the two blocs.

The complaint concerns steel corners used to strengthen shipping containers. In 1985 Austria gave Brussels a price undertaking, due to expire this year. George Blair of Newcastle, the main EC producer, has complained to the Commission that injurious dumping is still taking place, especially in Italy, which represents the largest EC market, and that if the price pledge is not replaced by a similar measure, matters will get worse.

The Commission also announced a new inquiry into alleged dumping of iron and steel wire by Argentina, Egypt, Trinidad and Tobago, Turkey and Yugoslavia. A complaint was made by Eurofer, the trade body representing 75 per cent of EC steel makers, that the market share of these countries had risen from 1.5 per cent in 1986 to 10 per cent now.

EC to alert Gatt over US move on farm exports

THE EC will call for "urgent attention" by the General Agreement on Tariffs and Trade to any move by the US to impose punitive duties on EC exports in reply for alleged loss of US feed grain sales to Spain, William Dullforce reports from Geneva.

In a letter to Gatt, the EC contests the US right to take such action and rebuts as "clearly excessive and totally unjustified" the $420m (£218.7m) the US claims its exporters have lost in annual sales after Spain joined the EC. The Commission is expected to decide today to try to cool the dispute by offering to extend the existing compensation agreement with the US for a short time beyond its expiry date on December 31.

Mr Ray MacSharry, Agriculture Commissioner, would offer the extension to Mr Clayton Yeutter, US Agriculture Secretary, in Brussels on Friday. "We do not want to do anything to precipitate US action. It would not help us to resume the (Uruguay) Round (talks)," an EC official said.

The US is understood to be set to impose 200 per cent duties on EC farm and beverage exports worth some $420m because of Brussels' reluctance to renew a 1987 accord guaranteeing a fixed level of imports of US corn and sorghum in Spain and lowered duties on 29 US products.

The EC denies the US allegation that it had refused to continue a review of the situation provided for in the agreement. On the contrary, it attached great importance to continuing the process. Contesting the $420m figure, the EC claims Spanish imports of maize and sorghum from the US averaged no more than $280m a year in 1983-85, declining since the mid-1970s.

About $100m of US exports of cereal substitutes, such as corn gluten feed, to Spain in 1989 also had to be taken into account in determining US "losses" from Spanish accession to the EC. The bilateral compensation agreement recognised these substitutes were replacing corn and sorghum in the Spanish market and the EC pledge on access should be adjusted downwards accordingly, the EC said.

Lilley outlines a way forward for the Gatt

Reduced US expectations and a 'friendlier' EC are required, writes Peter Montagnon

THE world's trading nations must ensure that the stalled Uruguay Round of multilateral liberalisation talks resumes as soon as possible, Mr Peter Lilley, UK Secretary of State for Trade and Industry said. Otherwise the outlook for the trading system, in which protectionism has been growing even with the General Agreement on Tariffs and Trade intact, is "pretty grim".

Last week's breakdown of the Uruguay Round in Brussels and the indefinite adjournment which followed mean that it will now be more difficult to complete the talks, he said in an interview.

The European Community will have to pay a double price – once in the form of concessions to re-start the talks and once more with concessions to wrap up the final deal.

None the less, there are still prospects for completing the Round which would preserve advances made in the 14 agenda items not directly affected by the impasse over farm subsidies, he said.

Mr John Major, the new prime minister, will push for resumption of the talks both at this weekend's EC summit on monetary and political union in Rome – where the Round is now formally on the agenda – and at his meeting with President Bush in Washington next week.

"Heads of government have got to negotiate to succeed rather than to obstruct," Mr Lilley said.

The UK faces a difficult task of mediation in the transatlantic dispute over farm subsidies because Mr Major's government is trying to mend its fences in Europe. But Mr Lilley believes that it would be wrong to try to mend those fences at the expense of the Gatt.

"If anything, our position in the Community was enhanced by the clarity with which we argued our case (for pushing on towards an agreement) last week."

At the end of the meeting Ireland was the only EC country in favour of suspending the talks. Had ministers continued talking in Brussels, it might have been possible "to have cobbled together the elements of an agreement on agriculture by Sunday night," Mr Lilley said.

According to Mr Ray MacSharry, EC farm commissioner, the Community was prepared to offer specific commitments in volume as well as financial terms on restraining export subsidies, to permit farm imports up to 3 per cent of consumption and to modify substantially its rebalancing proposal under which cuts in

Lilley: Round must resume

support would be offset by increased protection for some products such as oilseeds and corn gluten feed.

Mr Lilley said that many countries in the Cairns Group of agricultural exporting countries were privately prepared to look more closely at these proposals, but the US "didn't stop to investigate them."

"They have to start displaying a genuine interest in the indications of flexibility which the EC has put forward."

One criticism of the EC's approach was that its flexibility on export subsidies and import barriers was accompanied by conditions including a "non-aggression pact" in farm trade. UK officials say it ought to be possible to finesse these conditions by negotiation in such a way as to remove their sting.

Moving the farm talks forward would not involve a major change in the EC's offer to cut subsidies by 30 per cent. Instead it would have to be made "more friendly and acceptable" to the other participants, Mr Lilley said.

"We need to give the Commission adequate freedom to negotiate, and the Commission needs to exploit the freedom it is given to the limit," he added.

Also, care must be taken to avert the immediate outbreak of a farm trade war.

The US is already threatening to impose trade sanctions against the EC from next month. This would follow the expiry of temporary arrangements allowing it extra grain sales to the Community as compensation for the loss of market opportunities after the accession of Spain and Portugal in 1986. Mr Lilley said a temporary rollover of these arrangements was now under consideration "though not formally agreed."

For its part, the US would have both to reduce its expectations of what could be achieved on farm support and make a firmer commitment to curb its so-called deficiency payments to farmers, he added. Though Washington considers these to be domestic subsidies, the EC has consistently argued that they distort trade as much as its own export supports.

As they left Brussels at the weekend, US officials said they felt let down by Mr Lilley's efforts to mediate there after he had failed to deliver a greater shift in the EC position on farming. Mr Lilley also annoyed some senior Gatt officials last Friday by arguing against suspension of the talks. By then their main concern was simply to stop the rot before it became any worse.

Yet there is no mistaking the quiet determination which underlies Mr Lilley's seemingly diffident exterior. A member of the right-wing Tory "no-turning-back group," his belief in the benefits from a successful Uruguay Round is unshakeable.

The Uruguay Round, he says, must be completed before the negotiating authority conferred by Congress on the Bush administration runs out in March.

Mr Lilley acknowledged that Mrs Carla Hills, US Trade Representative, does see difficulties getting a realistic result through Congress, but the answer, he said, is "to educate Congress and play down expectations."

Germans seek Soviet housing bids

By David Marsh in Bonn

GERMANY is seeking bids from foreign construction companies to help carry out DM7.8bn (£2.68bn) of orders to build accommodation in the Soviet Union for Red Army soldiers and their families leaving eastern Germany.

Although the lion's share of the orders is likely to be won by companies in Germany, the Bonn Economics Ministry is organising tenders for the contracts on an international basis.

Already many companies from throughout Europe and Asia have shown interest in bidding for the contracts, which are due to be carried out up until 1994.

Economics Ministry officials say that interested foreign companies include those from Britain, France, Poland, Czechoslovakia, Hungary, Turkey, Finland, South Korea and India.

The ministry wants a significant proportion of orders to go to hard-pressed construction companies in eastern Germany, which are suffering an acute loss of orders.

Balancing out the orders would be one way of avoiding a further tightening of conditions in the west German construction industry, which is experiencing booming order books.

Large-scale German funds for building homes for returning soldiers formed a big part of the aid package agreed between Bonn and Moscow in September to win Soviet approval for German reunification.

The German government agreed to provide the Soviet Union with grants totalling DM12bn up to end-1994 together with an interest-free loan of DM3bn.

The Soviet Union will use the DM7.8bn component of the package to construct 36,000 separate homes, as well as production lines for making prefabricated housing modules.

The Economics Ministry, which has negotiated the details of the bidding procedure with Moscow, hopes to finalise drawing up the tender documentation by early January, and to make quick decisions on choosing the first contractors.

Work on the first projects in a wide variety of areas west of the Urals is scheduled to start in the spring.

UK consortium offers to build Kiev food plants

A CONSORTIUM of leading UK food companies, which went to the Ukraine to advise on creating a modern integrated food chain, has offered to train managers and build or refurbish four demonstration plants for meat, milk, fruit and vegetables in the Kiev area, Anthony Robinson, East Europe Editor, writes.

The consortium found retail outlets received the lowest priority for allocations of food supplies and recommended privatisation of the biggest 50 retailers backed by a co-operative buying organisation.

Booker Tate, one of the consortium members, also expressed interest in helping set up a cash-and-carry organisation allowing retailers to buy from wholesalers. While willing to provide technical expertise, consortium members, which include the Vestey Group, Allied Lyons, APV, Booker Tate, Taylor Woodrow, United Biscuits and Morgan Grenfell, were reluctant to invest shareholders' funds at this stage.

The UK government "know-how fund", recently topped up with another £20m for assistance to Soviet projects, is expected to help with managerial and other training.

But the "relatively small" investment required to refurbish the Kiev meat Kombinat and fruit processing facilities and build two new commercial-scale demonstration plants for milk production and frozen vegetables will have to come from local sources.

Japan's economic policy makers at odds on slowdown

By Ian Rodger in Tokyo

THE director general of the Japanese government's Economic Planning Agency (EPA) has warned of a slowing pace in some sectors of the economy and urged the Bank of Japan to ease monetary policy.

But the central bank, which yesterday published its widely respected quarterly survey of business sentiment, reiterated its view that the economy remained on a high plateau. "The underlying strength of the economy has not changed," Mr Masaaki Nakao, the BoJ's chief economist said.

This is the first time in several months that signs of friction have emerged among the country's economic policy makers. It comes as the impact of the central bank's tight monetary policy appears to be spreading from the previously bloated financial sector to a few industrial sectors.

Figures published yesterday showed that private sector machinery orders, excluding those from shipbuilders and power utilities, fell 7.6 per cent in October from September while those from the public sector were down 12.2 per cent. Overall machinery orders were up 3.8 per cent, thanks to a 45 per cent rise in overseas orders. Retail sales, car sales and housing starts have also been weakening lately.

Mr Hideyuki Aizawa, the EPA director general, said the effects of credit tightening were now being observed in areas other than the property sector. Mr Aizawa acknowledged that it was important to stabilise prices, but he did not think there was much need for anxiety about them at this point. The central bank's quarterly survey, known as the Tankan, provided evidence for both pessimists and optimists.

The confidence index of leading manufacturers eased to 42 in November from 46 in August and May and 52 in February, but was still strongly positive.

The index figure is the difference between the percentage of respondents to the survey who foresaw good business conditions and the percentage who were pessimistic about the outlook.

It grew sharply from negative levels in 1987 to more than 50 in early 1989. The index for small and medium-sized manufacturers eased two points to 30.

Also, capital spending is still booming. On an all-industry basis, leading companies' capital spending in the current year is likely to grow 17 per cent, an upward revision of 4.5 per cent from the August forecast.

Corporate liquidity is weakening slightly, but cash and securities balances are still equivalent to 1.89 months of sales, down from two months in the previous survey.

Profit forecasts have also been cut substantially. Manufacturing companies, excluding oil refiners, expect pre-tax profits to rise only 1.6 per cent in the current year to March 1991. In August, they were still hoping for a 4.8 per cent rise. They are now expecting a 1.8 per cent drop in profits in the second half, compared with the same period last year, whereas in August they were looking for a 3.8 per cent rise.

Kaifu prepares to give in over calls for reshuffle

By Ian Rodger

MR Toshiki Kaifu, the Japanese prime minister, is resisting calls from his ruling Liberal Democratic Party (LDP) for a cabinet reshuffle this month but, lacking influence within the party, he is likely to have to give way.

The pressure for a shake-up has nothing to do with the performance of Mr Kaifu and his cabinet, even though the prime minister has been widely criticised for failing to show leadership on the Gulf crisis and the Uruguay Round of multilateral trade negotiations.

Indeed, the bosses of the big LDP factions have made clear they want Mr Kaifu himself, whom they find easy to manipulate, to stay on until the end of his two-year term next autumn. However, they want to exercise their right to give some new stars or long-servers a turn in the cabinet.

Although Japanese cabinet members do not usually remain in office long enough to get a grip on their portfolios, Mr Kaifu has been arguing that cabinet stability is vital at a time when the government is facing the collapse of the Uruguay Round, new turns in the Gulf crisis and other issues.

Yesterday, top officials of the leading LDP factions met and agreed that a reshuffle should take place before the end of the year, regardless of Mr Kaifu.

Mr Kaifu – who is normally docile when party leaders order him about or slight him, as they often do – struck back immediately, saying that the timing of a cabinet reshuffle was up to him alone to decide. He also let it be known that he was still opposed to having politicians in his cabinet who were implicated in scandals

In February, following the LDP's big election victory, Mr Kaifu successfully resisted pressure to take politicians tainted by the Recruit scandal. At that time though, he had the authority of an election winner, and the party had no ready replacement.

China irked by rising cost put on Hong Kong airport

By Angus Foster in Hong Kong

CHINA yesterday stepped up its criticism of Hong Kong's port and airport plans by accusing the Hong Kong government of duplicity when estimating the costs of the huge developments.

Lu Ping, the new director of the Hong Kong and Macao affairs office and therefore a key spokesman on China's policy towards Hong Kong, made the comments as the Hong Kong government released its first detailed cost breakdown on the airport plan since it was announced in October 1989.

Lu claimed Hong Kong's government was "playing with words" and that its statements to the Hong Kong people were different from those given to China. Lu also questioned estimates of Hong Kong's future reserves and said the costs of the developments could affect the stability of the Hong Kong dollar.

Although China is thought to agree that Hong Kong needs a new airport to replace the overstretched single runway at Kai Tak, it is unhappy with the costs of the project. Some observers think China is using the airport issue to stress its right to have a say in the running of Hong Kong before the colony's return to Chinese sovereignty in 1997.

According to new figures, the airport itself will cost HK$38bn (£2.53bn) at today's prices, while the total cost of ancillary projects, needed to have one of the planned two runways open by 1997, is HK$79bn.

Mr Hamish MacLeod, secretary for the treasury, said the new figures could not be compared with original forecasts of HK$127bn for the airport, port developments and related infrastructure up to 2006. He said the timeframe and the breakdown of the estimates had changed.

● THE MIDDLE EAST

States hit by Iraq embargo need extra $5bn

By Peter Riddell, US Editor, in Washington

AN ADDITIONAL $5bn beyond existing commitments of $13bn will be needed next year to assist the frontline states of Egypt, Turkey and Jordan, hardest hit by economic sanctions against Iraq.

The US Treasury will call a full meeting of the Gulf Crisis Financial Co-ordination Group to discuss next year's needs, but the current signs are that around $5bn extra will be required, according to a senior US Treasury official. This is separate from the additional support being sought from other nations for military operations.

This money will be raised primarily from Saudi Arabia and other Gulf states which have benefited from higher oil prices and have so far made commitments only for this calendar year. It is possible that a further appeal will be made to Japan and the European Community.

The Bush administration has come under strong congressional pressure to seek additional money, especially from the beneficiaries of higher oil prices. The senior Treasury official expressed satisfaction about the general magnitude of commitments, but said the US was dissatisfied with the speed of disbursement and the pattern of allocation.

In particular, Japan was slow in starting to make available the $2bn it has committed in its current fiscal year, while the $700m promised by the European Commission (out of $2.2bn from Europe as a whole) will not be disbursed until early next month.

Moreover, there is concern that Jordan is not receiving enough assistance, particularly because of the refusal of Gulf states to assist it, while Egypt is receiving ample help. Officials were meeting in Washington yesterday to review the pattern of disbursements.

Up to a month ago a total of $13bn had been committed for 1990 and 1991 by Saudi Arabia and other Gulf states ($8.4bn), the EC and Japan. Of this $10.5bn was intended for the three frontline countries with roughly $2.5bn going to states such as Syria, Lebanon and Morocco. Of the total amount only about a third had been disbursed a month ago, though nearly three-fifths of the firmly allocated amount. But the US Treasury believes the flow has increased "substantially" since then, though not as much as it would like.

These amounts are separate from the International Monetary Fund and World Bank support for these countries' economic reform programmes and the additional support being given to other states affected by higher oil prices.

France to boost troop numbers

FRANCE plans to send nearly 4,000 more soldiers to Saudi Arabia by the UN Security Council's January 15 deadline for Iraq to withdraw from Kuwait, AP reports from Paris.

France, which currently has 6,250 troops in Saudi Arabia, is expected to reinforce them with an artillery regiment, a tank regiment and a combat helicopter regiment.

Mr Jean-Pierre Chevènement, the defence minister, said yesterday that commanders in the field had sought the move to ensure their troops' security. Although French military sources have said France's forces were well equipped to halt an Iraqi tank attack in their sector, they lack firepower to contribute significantly to an allied offensive.

Democrats back Bush tactics

By Peter Riddell

THE Bush administration's strategy of threatening war to force Iraq out of Kuwait has received backing from leading Democrats, though they have stressed the need for congressional approval before US troops are ordered into action.

Both Senator George Mitchell, the Democratic majority leader, and Congressman Les Aspin, the Democratic chairman of the House armed services committee, support the current administration line. Mr Aspin has said that only a credible threat of attack will secure concessions from President Saddam Hussein "at the 11th hour and the 59th minute. This is a situation where you want to telegraph your punch."

Senator Mitchell stressed that, while President George Bush does not need the approval of Congress to threaten war, he does need its approval to make war. He noted the risks both in the absence of any guarantee that sanctions will work and "in prematurely abandoning sanctions and rushing to war".

Mr Aspin, however, noted the risks for the unity of the coalition and the economic damage in waiting for sanctions to work.

The comments of these congressional leaders underline the currently fluid debate on Capitol Hill which cannot be neatly defined along party lines, or between peace and war groups.

While many Democrats are now urging patience, this does not necessarily mean that they would oppose military action in late January if the diplomatic contacts fail.

Meanwhile, a new bipartisan group, including prominent Democrats such as Congressmen Stephen Solarz, Robert Torricelli and Tom Lantos, as well as leading Republicans like Senators Richard Lugar and John McCain, has been formed to argue that the US should be prepared to use force to make sure that Iraq's chemical, biological and potential nuclear weapons are verifiably dismantled or, if necessary, destroyed.

The group calls itself the Committee for Peace and Security in the Gulf.

US condemns Swedish stance

By Robert Taylor in Stockholm

THE Bush administration has complained to Sweden over a letter sent by Mr Ingvar Carlsson, the country's prime minister, to Iraqi President Saddam Hussein that led to the release of all the Swedish hostages a fortnight ago.

Mr Carlsson's letter suggested "the fundamental conflict" in the Middle East was the Palestinian question, not Iraq's occupation of Kuwait.

Both Britain and the US are outraged by Mr Carlsson's attempt to draw a parallel between Mr Saddam's seizure of Kuwait and the Israeli occupation of Gaza and the West Bank.

Israel given promise on its interests

By Lionel Barber in Washington

PRESIDENT George Bush yesterday promised Mr Yitzhak Shamir, the Israeli prime minister, that the US would not try to resolve the Gulf crisis at Israel's expense.

After a two-hour meeting at the White House, which appeared to smooth over relations between the two leaders, Mr Shamir said he had won assurances that the US would not link Iraqi withdrawal from Kuwait to the fate of Palestinians in the occupied territories.

Mr Shamir also delivered a strong plea to Mr Bush to offer substantial assistance to help Israel settle the continuing flow of Jewish immigrants from the Soviet Union. However, the Israeli leader gave no specific numbers and Mr Bush offered no commitment in return.

After the meeting both sides appeared anxious to reaffirm Israel's traditional position as America's closest ally, retaining a "qualitative military edge" over its Middle East neighbours.

Mr Shamir reassured Mr Bush that Israel would continue to keep a low profile in the Gulf – meaning, in diplomatic code, that Israel does not intend to launch a pre-emptive strike against Baghdad. Mr Bush made clear that the US "could not but react" to any Iraqi attack on Israel, according to Mr John Kelly, US assistant secretary of state.

The South African government yesterday ordered army and police reinforcements into the black township of Thokoza after street fighting killed about 35 people and wounded 50 in less than 10 hours, Patti Waldmeir writes from Johannesburg. Thokoza residents are pictured above with bodies of some of the victims.

Meanwhile, Chief Mangosuthu Buthelezi – president of the Inkatha Freedom party, whose supporters were involved in yesterday's fighting – declined to visit the troubled area with Mr Nelson Mandela, deputy president of the African National Congress, and other black leaders.

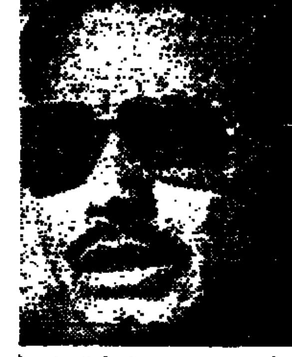
The visit has been organised by the South African Council of Churches, a group closely allied to the ANC, in an attempt to halt violence which has left nearly 1,000 people dead in East Rand townships since August.

Campaign grows for the arrest of Ershad

By Reazzuddin Ahmed in Dhaka

A MINISTER in the fallen Bangladeshi regime of General Hossain Mohammad Ershad was taken into what was described as protective custody yesterday amid reports that the former president was also about to be arrested.

Since Gen Ershad yielded last Thursday to a campaign to oust him, there has been mounting pressure from students and opposition political parties in the interim administration for the arrest of him and members of his cabinet. Yesterday Mr Mahmudal Hassan, home minister under Gen Ershad, was reportedly put under house arrest.



Ershad: charges prepared

The students have called for a big demonstration today in the centre of Dhaka, the capital, and a senior police officer was quoted yesterday as saying he expected Gen Ershad, who last week sought refuge in the Dhaka military cantonment, to be arrested imminently. Student leaders are threatening to march on the cantonment.

Mr Shahabuddin Ahmed, the chief justice who is the country's acting president, held a meeting with senior army officers in the cantonment yesterday. He sought co-operation in bringing the country back to normality. Some observers believe he discussed Gen Ershad's fate with the generals

The country's main opposition political parties warned, meanwhile, that they would resist any move for a political rehabilitation of Gen Ershad, who has said that he will contest elections set for next year.

They demanded an immediate trial of the former president on charges of seizing power unconstitutionally and plundering the country's scarce foreign exchange resources.

Supreme court lawyers instituted an inquiry to draw up corruption charges against Gen Ershad.

Meanwhile, police have tightened security at the residence of Mr Ahmed following a petrol bomb attack on Monday. There was some damage but nobody was hurt.

Top level talks for two Koreas

By John Ridding in Seoul

MR Yon Hyong Muk, the North Korean prime minister, yesterday crossed into South Korea for a third round of high-level negotiations with Mr Kang Young Hoon, his South Korean counterpart.

The series of talks are the highest-level contacts between the two sides since the peninsula was divided in 1945. But diplomats and analysts expect little progress in narrowing differences between the two delegations.

In a statement issued shortly after their arrival, the North Koreans expressed pessimism about the progress of the talks. Su, spokesman for the North Korean delegation.

The main stumbling-block in this round of talks is likely to be the issue of a non-aggression declaration which was proposed by North Korea in the last round of talks in its capital Pyongyang in October.

South Korea insists that the two sides must conclude a basic accord on inter-Korean relations before signing such an agreement.

In spite of the difficult outlook there has been some progress. Since the last meeting Seoul has taken a number of steps which will ease disputes with the north. Reverend Moon Ik Hwan, one of the three people imprisoned in South Korea for visiting North Korea and whose release was demanded by Pyongyang, has been has been freed.

In addition, South Korea has indicated that it will not apply for UN membership this year. This may help placate North Korean concerns that Seoul will seek to join on its own.

India to cut public sector spending

By K.K. Sharma in New Delhi

A CUT in investment in the Indian public sector in the next four years because of the difficult external and internal economic position of the country is envisaged by Mr Mohan Dharia, who took over as the new head of its Planning Commission yesterday.

The previous government led by Mr V.P. Singh had projected a total investment of around Rs6,000bn (£171bn), of which the public sector's share was placed at around Rs3,500bn. Given Mr Dharia's belief that the impact of the Gulf crisis on the balance of payments as well as the sharp rise in the budgetary deficit warrants a cut in investments, the implication is that the economy is expected to grow at less than the target of an annual 5.5 per cent visualised by Mr Singh.

Mr Dharia argues that an investment cut need not affect employment, saying that giving priority to investments in small industry and the rural sector would increase employment by 3 per cent annually.

However, this is the same strategy that was adopted in an approach to the eighth five-year plan, covering 1990-95 and formulated by the previous government. It is thus difficult to see how Mr Dharia will maintain the targets.

The final document for the eighth plan was to have been launched last March, but has still to be published.

Mr Dharia said he was conscious of the severe strains on the economy, borne out by projections that the budgetary deficit this year would be around Rs150bn rather than the planned Rs90bn.

Algerian party comes clean over corrupt land deals

Widespread publicity of past malpractices reflects divisions within ruling FLN, writes Francis Ghilès

LAND has always been a critical issue in Algeria, but recent developments in the country have pushed this sensitive subject into the forefront of the country's affairs, and at the heart of the political and economic changes under way.

The first is the publication of a list of 15,000 well-connected Algerians who appear to have improperly benefited from a 1987 decision to allow the purchase of land nationalised after independence in 1962 and at the height of the agrarian revolution in 1973.

The second was the decision to give back to 30,000 small and medium-sized landowners some 500,000 hectares of land expropriated in 1973.

On the face of it, both moves should be widely welcomed.

But they were at first greeted strong dose of scepticism Reform of the agriculture sector, hard-hit by disastrous past policies, is long overdue. But also under way is a battle within the ruling Front de Libération National (FLN) between the old guard and the reformers, the latter led by Mr Mouloud Hamrouche, the prime minister, who yesterday won an overwhelming vote of confidence from parliament to press ahead with liberal economic reforms.

Mr Hamrouche believes that the only way the FLN can retain power at the general election due in March – when nearly three decades of single party rule will be challenged by recently-legalised opposition parties – is to come clean on past malpractices.

It was the electorate's resentment over widespread corruption that accounted for the FLN's poor showing at local government elections last June. Unless the FLN can convince voters that it is putting its house in order, prospects for electoral success are poor.

For the vast majority of Algerians, the agrarian revolution imposed by President Ahmed Ben Bella (1962-65), and the late president Houari Boumediene (1965-78), was a gruelling experience.

Land was expropriated by the state on a grand scale, and the state farm sector proved inefficient. Those that managed to retain their land found themselves short of essential inputs, and required to sell their produce at below market prices.

For Algerians emerging from 132 years of colonial rule it was a painful experience. Property expropriation by the French rulers was now being followed by more expropriation, albeit of a different kind and with different intentions, by the post-independence government.

Hence the enthusiastic response when, in 1987, the state decided to return to the private sector land that it had nationalised after 1962.

But purchases depended as much on political clout and patronage as the price offered. Furthermore, beneficiaries of new land in 1987 had been granted perpetual leases but most of them never paid any rent to the state. Nor have they repaid most of the loans they took out with the Banque de l'Agriculture et du Développement Rural.

And so when early last month El Moudjahid – the daily newspaper which has been the mouthpiece of the FLN since 1962 – started publishing lists of farms and owners whose titles were in dispute, it was the talk of the coffee shops.

In the course of a week, the newspaper published roughly 15,000 names out of a total of 160,000 buyers. They included traders, civil servants, and retired army officers with close links with Algeria's "nomenklatura".

Critics of the government were immediately suspicious:

Why would a newspaper that is renowned for its loyal support of the FLN publish the names? And surely names of alleged offenders and details of their dealings should first be studied by the justice ministry, and then brought before the courts, rather than publicised, they asked.

Some of the beneficiaries of the government's 1987 decision seem to have got wind of what El Moudjahid was about to do. They promptly handed back their property titles. Why were their names not made public?

The answer to all these questions, many Algerians suspect, is that the exercise has as much to do with bitter FLN infighting between reformers and diehards as the remedying of past injustices. Also in on the act, it seems, is the man in charge of farming policy from 1984 to 1988, and who then became prime minister for a year before being ousted by President Chadli Bendjedid: the former head of the much feared security services, Mr Kasdi Merbah. Mr Merbah has since founded a new party, to promote "justice and socialism."

The impact of these tactics on the electorate is difficult to assess, although many Algerians believe that they are a step in the right direction. What is certain is that the measures and the motives are coming under close public scrutiny.

The expanded press has become more critical since October 1988, when the one party system ended, and has been further emboldened since the victory of the opposition Islamic Salvation Front in the local elections last June.

Equally critical are Algiers radio and the state-run television, which carry almost daily debates between politicians and journalists. And their analysis often includes some trenchant comments on the links between land and politicians.

Sotheby's cuts jobs in the UK in response to slump in art market

Sotheby's, the fine art auctioneers, is to rationalise its operations in the UK. It will close down its two regional salerooms at Chester and Billingshurst and construct a purpose built 100,000 square feet auction room on the outskirts of London, possibly near Heathrow Airport. There will be up to 40 job losses at Chester and a similar number will go from the main operation at Bond Street (above) in London. Sotheby's review has been accelerated by poor financial results. Turnover and profits seem certain to be much lower in 1990-91, mainly due to the collapse in prices in the Impressionist and 20th century art markets.

GULF CRISIS

Hurd hints at swift war in Gulf if deadline ignored

By Ivo Dawnay, Political Correspondent

MILITARY factors may force an armed conflict in the Gulf soon after the expiry of the United Nations deadline of January 15 for Iraq's withdrawal from Kuwait, Mr Douglas Hurd, the foreign secretary, hinted yesterday.

Saddam Hussein had already had the advantage of time to build up a war machine comprising 300,000 troops and 2,000 tanks, he told the House of Commons.

Then he added: "Every delay risks the likelihood of increasing casualties in the event of a conflict."

Mr Hurd's comments in the Commons' second full debate on the Gulf came amid signals from the opposition Labour Party that the bipartisan consensus on the crisis could end if military force was used before sanctions had been given adequate time to work.

Leading for the opposition, Mr Gerald Kaufman, the Labour spokesman on foreign affairs, insisted that "an overwhelming part" of the party believed sanctions were the way to resolve the dispute.

Mr Hurd had prefaced his warning with assurances that the aim of the allied military build-up was to encourage Iraq

Hurd: casualty warning

to leave Kuwait peacefully, adding that the deadline within UN's Resolution 678 was not "a timetable for military action."

But the foreign secretary then went on to emphasise the arguments for swift action. While there was some evidence that sanctions were having an impact, eight years of war with Iran had shown the Iraqi people could endure hardship.

"It must be questionable that sanctions will undermine the resolve of Saddam Hussein," he said.

Meanwhile, day by day Kuwait was being obliterated, its infrastructure removed and its people murdered and tortured.

In his concluding remarks, Mr Hurd declared: "This country faces the risk of war. The country is entitled to know why."

It was not a question of who ruled Iraq, nor of the price of oil, but the principle of collective security that was at stake. "We have begun to make the UN work,"he said. "There is a subscription to pay if the benefits of collective security are to be earned."

While Mr Kaufman endorsed this view alongside the use of force if necessary, he insisted that Labour's support was for the UN and not for the government. In a carefully argued speech aimed, in part, at his own backbenches, he said that the January 15 deadline had been agreed only at the request of the Soviet Union.

"The stipulation of a date does not indicate a trigger for the use of force," he insisted, adding that military considerations should be secondary. "We should not be boxed in by the desert timetable."

Gulf news, page 6

Major urged to take decisive role over EC

By Philip Stephens

A CONSERVATIVE pressure group yesterday urged Mr John Major, the prime minister, to make a "decisive and constructive" contribution to European political union at this week's intergovernmental summit meeting in Rome by indicating his willingness to share national sovereignty.

The Positive Europe Group (PEG), an umbrella group for Conservative businessmen, politicians and advisers, called for a range of institutional changes for discussion at the intergovernmental conference on political union.

It argued that the changes should focus on three areas:

- Transformation of existing political co-operation into a formal European foreign and security policy;
- Limited extension of majority voting in the Council of Ministers;
- A similarly limited extension of the powers of the European Parliament alongside the establishment of a permanent council of national parliamentarians in the Community.

The group said that taken together the proposals represented a balanced package which would allow Mr Major to be seen as a "constructive, sensible partner", adding that it was essential to "face up to the reality of sovereignty-sharing in the Community".

Funds in jeopardy as financial group goes into liquidation

By Sara Webb

THE Levitt Group, a leading British financial services company, yesterday went into liquidation leaving up to 18,000 investors unclear as to the state of their funds.

KPMG Peat Marwick McLintock, a London-based accounting and consultancy firms, was appointed liquidator of the company and The Levitt Group (Holdings), its parent, after discussions with the directors and institutional shareholders.

The liquidators were, however, unable to give any reassurances as to whether clients' funds were intact or not.

The group, one of Britain's largest private financial services companies, was last week told bt Fimbra, the regulatory organisation, to cease business following the discovery of irregularities in the accounts.

The group is also under investigation by the Department of Trade and Industry.

Parts of the financial services company and other subsidiaries which are mostly wholly-owned by The Levitt Group (Holdings) may be sold in the near future.

Mr Tim Hayward, of Peat Marwick McLintock, appointed to handle the liquidation, said they would be looking at whether other subsidiaries such as the insurance and mortgage broking business would continue operating or whether they should be liquidated too.

Describing the financial information on Levitt as "less than perfect", Mr Hayward said that the company had not been able to provide full information about the current state of its assets, liabilities, or the profitability of its business, and that there was uncertainty about the validity of the information it had provided. The company has been making "significant losses" over the last few months he added.

In a statement yesterday, the liquidators said: "Our investigations at the weekend revealed a major shortage of information on the companies' finances. There is a great deal of further investigation to be done and the outlook for creditors is very uncertain."

Creditors include some of the clearing banks although Mr Hayward said that the size of the debts were not enormous. Peat Marwick McLintock will take control of the assets and try to find buyers for them as soon as possible he said.

BRITAIN IN BRIEF

Toshiba to fund centre for research

Toshiba, the large electronics and electrical manufacturer, has become the latest Japanese company to announce plans for a research centre in Britain.

The centre, which will have an initial budget of £600,000 a year, will conduct basic research into semiconductor and will be headed by Professor Michael Pepper of Cambridge University, one of Britain's leading experts.

Toshiba said it hoped the centre, to be sited in Cambridge, would carry out pioneering work in quantum physics which could be used to make semiconductors in the next century.

Kinnock attacks power sale

Mr Neil Kinnock, the Labour leader, accused the government in the Commons of "swindling" the British people by selling off the 12 state-owned regional electricity companies at 40 per cent below their true value.

Neil Kinnock: anger at electricity "swindle"

He said the underpricing of the shares was a "national scandal" which had lost the British taxpayer £3bn. The charge was flatly rejected by Mr John Major, the prime minister.

Insurance row goes to court

Sir Gordon Borrie, Director General of Fair Trading, has decided to refer to the Restrictive Practices Court a dispute in the insurance industry over the involvement of companies in offering facilities direct to the public, rather than through brokers.

The row came to a head over the underwriting by General Accident of a system whereby most buyers of new Ford cars were being offered "free" insurance by the motor company.

Members of the Institute of Insurance Brokers retaliated by agreeing not to place any business with General Accident.

TV group sees profits fall 27%

Granada, the television and leisure group, reflected the full weight of the deeping UK recession with a 27 per cent drop in pre-tax profits to £121m. Granada said however that most of its businesses had performed well in relation to its competitors and that it was maintaining its dividend at 12.3p a share.

Trading profits of £168m were down 17 per cent and earnings per share – fully diluted 22.5p were down by 25 per cent.

Rover adopts EC ruling

Rover, the car group, is changing its pension scheme in response to European rulings on equal treatment for men and women.

Negotiations have been completed with unions on a single scheme, which will have assets of £1.5bn, to cover all employees and to remove any discrimination between men and women, said the group.

The scheme provides for a common retirement age of 65, reflecting amendments to UK legislation following a European Court judgment.

Apology for Tory candidate

The local Conservative activist at the centre of row in Cheltenham over the selection of a black parliamentary candidate has apologised for his allegedly racist remarks.

Mr Bill Galbraith, a member of the local party executive, also pledged his full support for black barrister Mr John Taylor.

A statement issued by Mr Galbraith's solicitors said that: "Mr Galbraith has written to Mr Taylor to apologise for his comments and to assure Mr Taylor that he will not only be voting for Mr Taylor at the forthcoming general election but will also offer his unequivocal support to the candidate."

Single housing market slows

A fully integrated single European housing finance market is extremely unlikely to emerge for many years according to a report published by the Woolwich Building Society.

Though some European housing finance markets are showing signs of convergence, legal and cultural obstacles and deep-rooted national differences mean that a uniform European residential property market cannot be quickly established.

One key difference is the degree to which the state is willing to support home buyers across Europe, with some countries providing more tax relief, legal assistance, and other help than others.

Heath backs single currency

Mr Edward Heath, former Tory prime minister, has enthusiastically backed a single currency for Europe and ridiculed the government's suggested alternatives.

Edward Heath: backing for a single European currency

Mr Heath, who disagreed frequently with Mrs Margaret Thatcher, said at an American Chamber of Commerce lunch in London, "The community moves by great leaps forward," he said. "It doesn't shuffle."

Light railway

Sheffield is to have its own 19 mile £230m light railway system, public transport minister Roger Freeman has announced.

Clark raises doubts over Nato role

MR ALAN CLARK, the independent-minded number two at the Ministry of Defence, has stepped into a fresh controversy by making remarks questioning the usefulness of Nato and the need for US forces in Europe, writes David White.

Officials at the MoD and the Foreign Office were taken aback by Mr Clark's comments, made in a "personal capacity" and running directly counter to government policy.

They suggested Mr Clark, in a speech at King's College, London, was trying to stimulate an academic debate by playing "the devil's advocate".

The remarks coincided with a speech by Mr Douglas Hurd, the foreign secretary, in Berlin on Monday night, describing the Atlantic alliance as a "vital asset" and calling on Europe to "welcome US forces in Europe".

Last week, defence ministers from 12 European countries, including the UK, reaffirmed their view that US conventional and nuclear forces should be kept in Europe "at the levels required by the new security situation".

Mr Clark told his audience he believed present alliances were obsolete and challenged what he called "increasingly bizarre suggestions" being put forward for Nato's future role.

Defence suppliers asked to defer payment demands

By David White, Defence Correspondent

SIR PETER LEVENE, procurement chief at the Ministry of Defence, is trying to persuade defence suppliers to defer demands for payment on certain contracts so that the government can avoid overspending on defence.

The move comes in addition to a £600m programme of short-term savings earlier this year. This involved a moratorium on new contracts in May and June while the MoD worked out its list of cuts.

Sir Peter, who is due to be replaced early next year, has started discussions with several defence contractors to enlist their co-operation in preventing a £400m overspend in the current financial year's defence budget.

One leading contractor said it interpreted the approach from the MoD as a "veiled threat". Sir Peter, it said, had not made specific proposals but had couched his request in terms that suggested it was in companies' long-term interest to comply.

Manufacturers are baulking at the prospect of deferring contractual payments but are reluctant to take a public stand against the proposals for fear the ministry might resort to cancelling contracts. They are concerned about the

Levene: seeking deals

"knock-on" effect of delays on their sub-contractors.

Sir Peter first put his proposal to heads of industry and trade associations at a meeting in the Ministry of Defence on November 9. He told them that the expected overspend had arisen mostly from non-equipment areas of defence spending.

It is thought that budget calculations are continuing to be upset by the higher-than-expected inflation rate, which prompted the ministry to make its short-term cutback earlier in the year.

Mr Brian Lowe, director-general of the Defence Manufacturers' Association, said Sir Peter had made clear the ministry was looking to its equipment programme to help resolve the budget problem.

The proposal was to ask leading contractors "if they were prepared to make voluntary delays in the submission of bills or to slow down the fulfilment of some orders", he said. The MoD appeared to be counting on some companies welcoming the chance of delaying contracts because they were in the process of retooling or consolidating.

The MoD has already this year renegotiated its schedule for purchases of Warrior armoured combat vehicles from GKN, slowing down the production rate at the company's plant.

The Society of British Aerospace Companies said the move "was to be expected". It emphasised that the MoD had "not threatened to withhold any money". The practice of deferring expenditure from one financial year to the next, known as "pushing to the right", is well known as a traditional Defence Ministry ploy for balancing annual accounts.

Economists seek Erm realignment

Pressures are mounting for Europe's currencies, says Rachel Johnson

CURRENCIES in the European exchange rate mechanism (Erm) should be realigned next year for the first time since 1987, a meeting of British economists was told yesterday.

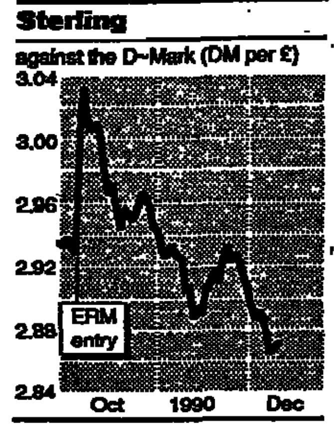
Pressure for a realignment has been building as historic and unforeseen events – such as the unification of Germany – and the variable conditions of nine domestic economies has placed intolerable pressures on the mechanism, according to economists speaking at the National Institute of Economic and Social Research in London.

Weak currencies have turned out to be strong, while the currency backed by the highest interest rates – sterling – is the lowest of all.

A European survey of economists, foreign exchange and bond traders published yesterday by IDEA gives some picture of the momentum towards realignment on economic grounds. Only 15 per cent of participants did not expect an Erm realignment within the next 18 months. Of those expecting a change, most expected it to happen within the next six months.

"The pound has been pegged at too high a rate, partly to squeeze UK inflation down. But to try to get it even lower just to compensate for the initial overvaluation is just pie in the sky," said Professor John

Sterling



Williamson, addressing a seminar at the institute.

Sterling's fundamental equilibrium exchange rate was DM2.24, well below the DM2.95 central rate picked by the government, he said.

Prof Williamson, of the Institute for International Economics in Washington, said the Erm needed the oil of a realignment for two reasons.

A sterling devaluation was out of the question, even for a Labour government; stage one of economic and monetary union allowed for realignments and it would be "foolhardy" not to seize the opportunity while there was the flexibility to do so. This made a "pre-emptive readjustment" necessary.

In Europe and the City of London, expectations have mounted although sterling has not fallen far on its effective index. This is because sterling owes its trade-weighted resilience almost entirely to dollar weakness, as the US currency has plumbed all-time lows this autumn.

In the European system, however, sterling has performed unexpectedly badly.

After entry in early October, the expectation was that the pound would take after the peseta.

Sterling was to become one of the strongest currencies in the system in spite of the one percentage point drop in interest rates which accompanied the move.

But the pound has been hamstrung by the rapid weakening of the UK economy. This has built up pressure for another interest rate cut by Christmas, while the need for a rise in real yields in Germany following unification threatens to take European interest rates in the opposite direction.

The coincidence of the UK recession with German unification – which is forecast to require a German fiscal expansion of between 2.5 per cent and 5 per cent of gross national product – has compounded the dilemma.

Since October, sterling has fallen by about 1.4 per cent against the DM – but risen by 2 per cent against the dollar.

Sterling lost 2.5 pfennigs in one day's trading on Monday, and yesterday continued to weaken against a strengthening German mark on the foreign exchanges.

There was a need for interest rate cuts in Denmark, the UK, and France, Mr Nigel Richardson, of Warburg Securities, explained. But the Dutch guilder, and the Spanish peseta were all pulling the way of the D-mark in the Erm.

Other economists suggested that if Germany did raise its interest rates, France would follow suit, even though its economy needed no tightening.

A pre-emptive realignment would be "the most logical solution", Prof Williamson told the seminar. "An interest rate rise in Germany would cause an unnecessary recession in the rest of the Erm."

While economists expect a realignment in the new year, two important reservations are also expressed. First, as the European Community has moved further towards integration, the political pressure against parity-changing has grown. And the UK government is anxious to make Erm rates seem inviolable in order to reassure the markets that it is committed to keeping sterling within its current bands – however high.

Currencies, Page 34

Heseltine to decide on heliport

Michael Heseltine

By Paul Betts, Aerospace Correspondent

MR MICHAEL Heseltine, four years after he was UK defence secretary and less than two weeks into his new job as environment secretary, is already embroiled in another helicopter row.

The new environment secretary, who resigned from the Thatcher cabinet in 1986 over the Westland helicopter affair, is now to decide whether or not to approve a highly controversial proposal by a consortium of leading UK business institutions to develop a helicopter landing pad in the heart of the City of London.

This follows the formal conclusion yesterday of a public inquiry into plans to build a helipad on an elevated deck on the River Thames close to Cannon Street railway station and next to British Telecom's international exchange.

The promoters of the £10m City helipad project include the Hanson group, Trafalgar House, and Midland Bank.

They have faced virulent opposition from a number of other City powerhouses including Barclays de Zoete Wedd (BZW), British Telecom, the ANZ banking group as well as the Royal Fine Art Commission and English Heritage.

Mr Michael Brundel, the planning inspector who has chaired the inquiry, is expected to complete his report and recommendations on the issue in the next six to 12 weeks.

His recommendations will then be passed on to Mr Heseltine who is expected to take up to eight months to decide on whether or not to grant approval for the new helipad.

The promoters of the project have faced an uphill struggle ever since the City Corporation's Court of Common Council rejected a planning application for the heliport.

The heliport promoters have argued that their scheme would provide significant benefits for the City by enabling businessmen to avoid traffic congestion. They said that London needed a modern and efficient heliport to compete with other European business centres. London at present relies on the heliport at Battersea, operated by Westland, where movements are limited to 12,500 a year.

Opponents of the scheme strongly disagreed at the inquiry over the need for a heliport in central London. Sir Martin Jacomb, chairman of BZW, said the absence of a helicopter landing facility in the City had never prevented the completion of a deal.

British Telecom also objected to the proposal because the new helipad would be sited immediately in front of BT's Mondial House, the largest telecommunications switching centre in Europe.

Extra cash awarded to Aids victims

By Alison Smith in London

AN EXTRA £42m ($80m) is to be given to haemophiliacs in the UK who contracted the Aids virus through contaminated blood in a sharp policy shift by the British government.

The move was disclosed yesterday by Mr John Major, prime minister, in his twice-weekly question time in the House of Commons.

The payment could "provide the basis for bringing the matter to an agreement successfully and soon," he said. He made it clear, however, that the government was not admitting liability.

Although there had been a growing expectation at Westminster that, under the new prime minister, the government would have a change of heart, the speed of the announcement – just a week after Mr Major said he would consider the matter – surprised MPs.

Previously, ministers had said further payments to the haemophiliacs would not be considered until legal proceedings had been concluded.

More than 750 haemophiliacs and almost 200 of their dependants have taken legal action. They are seeking compensation for becoming infected by the Aids virus in the early 1980s from imported blood products supplied through the National Health Service.

About 1,200 haemophiliacs are known to have been affected and their plight has been the subject of a strong cross-party campaign.

The package, agreed between Mr Major, Mr William Waldegrave, health secretary, and Mr David Mellor, chief secretary to the Treasury, depends on the lawyers acting for the haemophiliacs recommending it to their clients, and then on the litigants agreeing not to pursue their actions.

Mr Major and Mr Waldegrave both emphasised that the move came from proposals put forward by the lawyers who, Mr Waldegrave said, deserved credit for "judging something both fair and within the realms of possibility for us".

He said the government would provide about £42m to the MacFarlane Trust, which administers funds for haemophiliacs and their families, in addition to £34m the government had already paid. The money will be distributed according to families' circumstances. A couple with children could receive about £60,000.

Payments from the trust would not affect recipients' entitlement to social security benefits. This could be worth £9,000 a year to a couple with two children and £5,000 to a single person.

While there was criticism from some opposition MPs that the concession had taken so long, and the Haemophilia Society regretted that the settlement was "so low", Tories welcomed the agreement as a sign of the Major administration's "caring" attitude.

The government's apparent change of attitude has raised hopes at Westminister of a better deal for ex-servicemen affected by cancer following service in the Pacific when the government was conducting nuclear tests in the late 1950s.

Although Mr Waldegrave said that the payment could easily have been proposed if Mrs Margaret Thatcher had still been prime minister, he agreed that "a number of fresh minds" had come to the issue.

Squatter camp 'school' in South Africa.

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FT LAW REPORTS

Building case must go to arbitration

A CAMERON LTD v JOHN MOWLEM & CO PLC
Court of Appeal (Lord Justice Neill, Lord Justice Balcombe and Lord Justice Mann): November 20 1990

AN ADJUDICATOR'S decision under the DOM/1 form of building contract in a dispute as to set-off is only binding pending arbitration, and is therefore not a final award enforceable by the court in the same way as a judgment. And in deciding whether a contractor can set off a claim against interim payments due to a subcontractor, the adjudicator has no power to ascertain the value of the interim payment, so that any disagreement as to the figure must be referred to the arbitrator and the adjudicator's decision cannot be enforced immediately.

The Court of Appeal so held in two actions, when dismissing an appeal by A Cameron Ltd from a decision of Judge Esyr Lewis QC, sitting as an official referee, refusing its application to enforce an adjudicator's decision in the same manner as a judgment against John Mowlem & Co plc; and when allowing an appeal by Mowlem from a decision by Judge Fox-Andrews QC, sitting as an official referee, giving summary judgment for Cameron for £51,337 against Mowlem.

LORD JUSTICE MANN giving the judgment of the court, said on December 11 1987 Mowlem as contractor and Cameron as sub-contractor entered into a building sub-contract for roofing works in Putney.

The sub-contract incorporated all the terms and conditions of building sub-contract form, DOM/1.

Article 3 of DOM/1 provided that any dispute under the sub-contract should be referred to an arbitrator whose award "shall be final and binding".

Clause 21 and 23 provided for interim payments to be made to the sub-contractor. The amount of the first and each interim payment was to be a "gross valuation" calculated by reference to the total value of properly executed sub-contract work, and materials and goods.

Where there was disagreement as to the amount of a gross valuation it could be that the gross value of the sub-contract work was not what was claimed but was a lesser amount, in that the claimed value was diminished because, for example, work was not performed in accordance with the sub-contract.

By clause 23 the contractor was entitled to set off any claim for loss and or expense incurred by him because of the sub-contractor's breach, provided the amount of set-off had been quantified in detail and the contractor had given the sub-contractor 20 days notice of intention to set off.

By clause 24, if the sub-contractor disagreed the amount specified in the notice to set off, he might send the contractor a written statement setting out his reasons for disagreement, and at the same time give notice of arbitration to the contractor and request action by an adjudicator.

On the basis of the notice to set off and the disagreement statement, the adjudicator in his discretion and without giving reasons, was to decide whether the whole or part of the amount in the notice should be retained by the contractor, deposited with a trustee-stakeholder, paid by the contractor, or dealt with in accordance with clause 24.

By clause 24.1.4, the adjudicator's decision was binding "until the matters on which he has given his decision have been settled by agreement or determined by an arbitrator or the court".

The sub-contract works were commenced on June 3 1988. Cameron received interim payments.

On March 7 1989 Mowlem wrote to Cameron giving formal notice of intention to set off £52,800 against payment due, for loss and expense incurred in respect of liquidated damages imposed on Mowlem by the employer, due to Cameron's alleged failure to observe sub-contract conditions.

An adjudicator was appointed. Cameron sent Mowlem a written statement of disagreement, particulars of a counterclaim, a notice of arbitration, and a request for action by the adjudicator.

On April 3 the adjudicator decided that the £52,800 should be paid by Mowlem to Cameron.

Mowlem did not pay. Cameron sought to obtain payment by two different procedures.

First, it applied under section 27 of the Arbitration Act 1950 for leave to enforce the adjudicator's decision in the same manner as a judgment of the court. Judge Esyr Lewis dismissed the application.

Section 26 of the Act allowed enforcement only of an "award on an arbitration agreement".

The judge held that the adjudicator's decision was not an award on an arbitration agreement, on the basis that the adjudicator "does not perform an arbitral function and does not make any final award definitive of the parties' rights".

On the present appeal Mr Fernyhough for Cameron argued that the judge was wrong and that the adjudication process qualified as an arbitration.

The sub-contract contained an arbitration provision in article 3. It was by an arbitrator appointed under that article that dispute as to set-off was to be ultimately resolved, whatever an adjudicator might decide (see clauses 24.1.1 and 24.3.1).

An adjudicator's decision was "binding ... until" determination by an arbitrator.

The decision had an ephemeral and subordinate character which made it impossible for it to be described as an award on an arbitration agreement. The structure of the sub-contract was against that conclusion.

The appeal was dismissed.

The second procedure adopted by Cameron was to issue, on July 17, a writ and statement of claim asserting that £52,800 was due pursuant to the adjudicator's decision, less £1,462 already paid, leaving a balance of £51,337.

On August 11 Mowlem issued a summons for an order that the action be stayed for reference to arbitration. On August 24 Cameron issued a summons for summary judgment under RSC Order 14.

The two summonses came before Judge Fox-Andrews QC. He dismissed Mowlem's summons, and gave judgment for Cameron for £51,337.

Mowlem appealed against both decisions.

The correctness of the Order 14 judgment depended on the construction of the sub-contract.

Clause 24.3.1 obliged the adjudicator to decide whether the whole or any part of the amount notified under clause 23 should be dealt with in one or other of four specified ways. One of the ways was that the whole or part should be retained by the contractor. Another was that the whole or part should be paid by the contractor. The adjudicator chose the latter way.

Under article 24.4.2 payment was to be made "immediately upon receipt of the decision of the adjudicator".

But, under 24.4.1, the contractor was not obliged to pay a sum greater than the amount of the interim payment due in respect of which the contractor had exercised the right of set-off.

The interim payment made next after the adjudicator's decision was £1,462, that being, in Mowlem's view, the payment determined in accordance with clause 21.3 [the gross valuation]. Cameron disputed the figure. Whether the true figure was £1,462 or more, Mowlem was not obliged to pay more than the larger.

The adjudicator had no power to determine the amount due in accordance with clause 21.3. Nor had the court. In case of disagreement the correct figure could be determined only by arbitration. The judge's conclusion that the adjudicator's decision was immediately enforceable was wrong.

In effect the judge was treating the adjudicator's decision as a decision as to interim payment due under clause 21 from Mowlem to Cameron on April 3 1989. There was a dispute as to what that amount was, and that dispute could be determined only by an arbitrator.

Mowlem's appeal was allowed. Judgment was set aside. Proceedings were stayed pending arbitration.

For Cameron: Richard Fernyhough QC and Robert Gaitskell (Fenwick Elliott & Burns).
For Mowlem: Humphrey LLoyd QC and Delia Dumaresq (Mowlems).

Rachel Davies
Barrister

MANAGEMENT

Royal Trust of Canada/Dow Financial Services

A cultural transplant which did not take

Bernard Simon reports on the aftermath of a takeover

In April 1986, Royal Trust of Canada took a big leap in its international business by buying Dow Financial Services, the international banking and investment management arm of Dow Chemical. The $188m acquisition, RT's chief executive, Michael Cornelissen, proudly explained at the time, "achieves in one fell swoop what we've been planning for a year and what would otherwise have taken ten years to put in place".

But less than five years later, little remains of Dow Financial. All its businesses in Britain – which included stockbroker Savory Milne, Arbuthnot Latham Bank and a sizeable asset management company – have been sold. So have private banking, leasing and secretarial service units in Hong Kong, as well as a subsidiary in Malaysia.

Earlier this year, RT pulled Zurich-based Royal Trust Bank (Switzerland), formerly Dow Banking Corporation, out of securities trading, corporate underwriting and syndicated commercial lending, activities which at one time accounted for the bulk of its business.

Far from enjoying the fruits of a company which had been profitable for the previous 20 years, RT has for the past four years found itself embroiled in an unpleasant and costly mess.

The Canadian company has fired at least six senior executives in the former Dow units, including the entire management group of the Swiss bank and, most recently, the head of its Hong Kong office.

The company recently settled a series of lawsuits brought by four disaffected former Dow employees.

Some Dow units were sold at prices well above or close to what RT paid. But the Swiss bank has taken large losses on its portfolio of zero-coupon Japanese corporate bonds.

The experience has left RT and the men who used to run Dow Financial equally disenchanted.

Cornelissen says ruefully that "we've learnt a lot about the way the Swiss do business". RT's biggest mistake, he asserts, was to rely on Dow's previous management. Instead, he says, "we should have put in our Canadian people from day one".

Cornelissen says that when RT carried out its "due diligence" examination prior to the 1986 takeover, Dow's reporting systems failed to disclose the extent of its involvement in businesses which RT later decided to sell or discontinue.

But Dow's former managers, who operated as a tightly-knit group of friends, insist that if Royal Trust had followed the hands-off policy of Dow Chemical, the change of ownership could have been a success.

Leslie Merszei, who was Dow's chief executive at the time of the takeover and is the son of a former CEO of Dow Chemical, says that "constant chopping and changing is RT's hallmark, and everything is decided on the whims of Mr Cornelissen". Merszei left the company voluntarily in 1987 after staying on for a year as head of Royal Trust International.

The chief executive of a former Dow subsidiary in London, which was among those sold early on by RT, adds that the Canadians "caused a lot of ill-feeling because they didn't do what they said they were going to do". He recalls being told at the time of the takeover that RT had ambitious plans to expand his company, only to hear six months later that it was being put up for sale.

An unusual corporate culture, which has turned RT into one of Canada's most dynamic companies in the past decade, appears to have contributed to its problems in Europe.

Once a sleepy deposit-taking and residential mortgage institution, RT has been shaken awake since it was taken over in the early 1980s by the far-flung resources, industrial and financial services group, Brascan, controlled by Toronto's Bronfman brothers.

RT's assets under management have shot up in the past six years from less than C$50m to C$140bn. The company is now a broad-based financial services conglomerate, offering services as diverse as cheque accounts, credit cards, share transfers, estate management and mutual funds, as well as its core mortgage business.

Through a series of acquisitions over the past two years, RT also now owns a 164-branch network of savings and loan institutions in the north-west US, the biggest in the region.

Cornelissen, 47, a South African-born accountant, has been at the helm since 1983. With a reputation as a combative and hard-driving manager, he has injected an aggressive streak into RT's corporate culture.

All employees (called partners) are issued with cards signed by Cornelissen which authorise them to "break through any barrier; question any procedure; and challenge any other partner to ensure excellent advice and service to clients". The inscription ends with these words: "This card should work. If it doesn't, let me [ie Cornelissen] know."

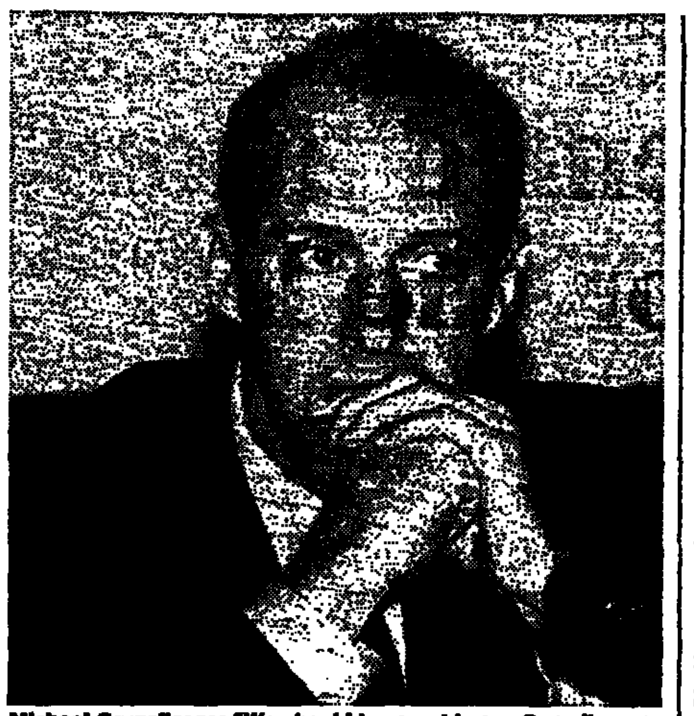
RT tried to transplant this culture to Dow.

Perhaps the biggest source of friction was an unusual compensation scheme which RT has in common with other members of the Bronfman brothers' empire. Based on compulsory share-ownership by senior employees, the scheme has also become a source of controversy on RT's home turf in North America as share prices have sagged in the past year.

Under the scheme, senior managers are paid relatively low salaries, but are required to buy large parcels of shares. About 100 Royal Trust executives have invested a total of C$75m in shares, or an average of C$750,000 each.

Cornelissen himself estimates that his salary is only about 40 per cent of what he could earn elsewhere. But he owns 360,000 RT shares, worth C$3.2m at present prices.

The share purchases are financed by company loans and, in many cases, by sizeable bank borrowings using the shares as collateral. Dividends are used to pay off the loans.



Michael Cornelissen: "We should have put in our Canadian people from day one"

A reckoning is done every five years. If the share price goes up, the employee is paid out the difference between the capital gains and the amount required to pay off the loans. But if the shares are trading below the purchase price, he or she faces (in theory, at least) a crippling loss.

The reasoning behind this scheme is that it puts managers at the same risk as shareholders, while encouraging an interest in the well-being of the company as a whole.

Dow's managers balked at borrowing heavily to buy shares. "We told them we'd been educated not to go into debt just to buy some stock," one says. What's more, "you're in their hands. If you're a bad boy, they can destroy you financially," he adds, referring to the company's ability to call in its loans.

They also argued that the scheme would divert managers' attention from the company's long-term goals, making them more concerned about the current share price and the next five-year reckoning.

The degree to which employees are at risk has been highlighted in the present bear market. As its earnings have been squeezed by high domestic interest rates and problems in its European operations, RT's share price has tumbled in the past year from a 1989 peak of C$19.38 to as low as C$8.25.

Manager-shareholders are being penalised because of their low salaries and because they are unable, for now, to realise any capital gains. On the other hand, Cornelissen says that the senior management team has seldom before worked together more closely or more energetically.

But RT has also moved to insulate its employee-shareholders from the plunge in the share price. The board has postponed for one year the day of reckoning for employees whose loans are about to mature, in the hope that share prices will rise in the meantime.

Cornelissen has no regrets about the scheme.

Furthermore, the experience at Dow has convinced the Canadian company of the importance of putting managers in charge of its foreign operations who feel comfortable with its corporate ethos.

RT moved more quickly to put its own people in key jobs at Pacific First in Seattle than it did at Dow.

It is now doing the same overseas. Three executives from head office in Toronto have recently been installed at the top of RT's truncated British, Swiss and Hong Kong operations. "We're making sure our plan is being executed the way we want it to be," Cornelissen says.

Executive pay

He who pays the piper...

Simon Holberton assesses a report which suggests, inter alia, that remuneration committees should be unambiguously independent

The 1980s was the decade when senior managers had the chance of becoming seriously rich – salaries rose dramatically and fringe benefits, from generous pensions to stock options, proliferated.

The 1990s is going to be the decade where shareholders demand that management prove their worth. Top executive pay has become a focus of serious interest not only for shareholders but for the political community as well.

From the shareholders' point of view, the Association of British Insurers fired the first warning shot with the publication this summer of its discussion paper on the role of directors. The investment community at large is working on a position paper on which all can agree.

The issue of top pay has also been a smouldering political issue for well over a year. With the entry into the exchange rate mechanism of the European Monetary System and the onset of recession it is likely to become more so. Politicians will want to see the pay restraint being urged on the shop-floor mirrored in the boardroom.

A survey* by the Promotion of Non-Executive Directors organisation, PRO NED, of current pay determination practice in British boardrooms is timely. Although PRO NED will itself be releasing a set of guidelines in the near future, it is clear from the survey's findings and from the international comparisons made that British standards lag behind best practice in the US and on the Continent.

The PRO NED sample was biased towards companies known to employ non-executive directors. Questionnaires were sent to 100 large public companies, 120 other companies, 80 known non-executive directors who sit on the board of more than one company, and 100 to smaller public and private groups known to use non-executives on their remuneration committee. A response rate of 51 per cent was achieved.

The PRO NED report was written by Peter Brown, chairman of the Reward Group, a pay consultancy, with the assistance of Jonathan Charkham, an advisor to the governors of the Bank of England. They make four points:

● Composition of remuneration committees. Brown and Charkham note that the legitimacy of the committee's decisions depends on it consisting of people who will not benefit from its decisions.

"[But] it is disquieting to find the non-executives with such a minor and the chief executives with such a dominant role as chairman of the remuneration committee," they write.

In only 31 per cent of their sample was a non-executive director the chairman of the committee; in 62 per cent of cases it was the chairman of the board and in 5 per cent of cases it was the chief executive.

It is clear that British standards lag behind best practice in the US and on the Continent

● Information supplied to the committee. Information about pay trends was seen as "essential" in restraining the desire of management for higher and higher levels of remuneration. "It is doubtful whether non-executives and other members of the remuneration committee are sufficiently well served with adequate and objective data."

The survey found that 87 per cent of respondents felt that non-executives were provided with full and sufficient data and research facilities. Most (79 per cent) were supplied with data by the company's personnel, remuneration or secretarial departments. Just over half (52 per cent) use consultants and 69 per cent use pay surveys.

● Independence of consultants. The objectivity of consultants was seen as critical. The authors observed that if truly independent consultants were used the committee's recommendation was likely to be treated with more respect.

The objectivity test was unlikely to be passed if the consultant could also benefit from decisions of the board in respect on non-pay-related consultancy.

● Process of decision making. The survey found that respondents gave themselves high marks for the job they did in balancing the interests of the company and its shareholders in determining top pay levels.

"There are probably few other areas where the chairman or chief executive would award themselves such high marks for the decisions they have taken. This alone suggests that the process of decision making by remuneration committees requires reappraisal. Is it truly objective and free from undue pressure?"

The average number of non-executive directors on the boards of the top 200 companies in Britain is just 2.7; this compares with an average number of 5.2 for executive directors. Only nine of the top 200 have a majority of non-executives on their board.

In the UK, non-executive directors account for 34 per cent of board posts, while in the US they account for 80 per cent of board posts. In the US, 57 per cent of compensation committees make recommendations concerning pay that are binding on the company; in Britain, 54 per cent do.

The non-executive director has come to be seen in some quarters as a saviour of British industry – a paragon possessed of good sense, outstanding commercial acumen and fine judgment.

It may be too much to hope for all of these qualities, but, as the PRO NED survey indicates, non-executive directors could at least fulfil a useful role in ensuring that remuneration received by the executives responsible for the day-to-day performance of companies is determined independently and rationally.

**Remuneration Committees: A survey of current practice, free from, PRO NED, 1 Kingsway, London WC2B 6XF. Tel 071-240 8805.*

Oil slicks face global treatment

A WORLD-WIDE emergency system to combat oil pollution disasters caused by spillages from tankers at sea has been agreed by 90 countries at the International Maritime Organisation in London.

At the meeting, the US and Japan made a separate bi-lateral agreement to co-operate in dealing with oil slicks. The two nations are the world's biggest oil importers and Japan has one of the biggest tanker fleets.

Under the new IMO convention, which also covers offshore oil installations, member states undertake to go swiftly to each other's assistance to clean up oil slicks even if it means travelling to the other side of the world.

A system of emergency stockpiles with the latest anti-pollution equipment will be established around the globe and a training progamme initiated with governments and the oil and shipping industries.

Ships will have to carry detailed plans for dealing with pollution emergencies. Captains of vessels and port authorities will be required to report such incidents without delay. The convention embodies the "polluter pays principle" which ensures that the cost of such international clean-up operations will be passed on to the shipowners and the oil companies involved in the spill.

The agreement follows a long series of oil tanker accidents at sea culminating in the massive oil spill from the Exxon Valdez off the coast of Alaska in March 1989 when 267,000 barrels of oil leaked into the sea.

As a result, heads of government attending the Paris summit meeting in July 1989 asked the IMO to draw up a treaty to deal with such disasters.

William O'Neil, secretary-general of the IMO, said that 90 countries had managed to draw up the convention after 16 months of discussion.

A resolution was also approved urging that the convention should be expanded to cover leakage of hazardous and noxious substances at sea.

John Hunt

Louise Kehoe reports on a technique that speeds up the natural degradation of toxic chemicals

Bioremediation in for the kill

Last year's Exxon Valdez oil spill in Alaska was an environmental disaster, but it has stimulated research and investment in a promising new technology that holds the promise of cleansing the earth of all manner of industrial pollutants that threaten the environment.

Bioremediation, or the use of micro-organisms to devour toxic chemicals, has received a significant degree of attention since its use in Alaska as part of the effort to clean up the black sticky mess of oil deposited on the shores of Prince William Sound.

After visiting Alaska last year, William Reilly, head of the US Environmental Protection Agency, called bioremediation "virtually the only good news to come out of that tragic situation. I've seen what it can do to minimise the effects of a massive crude oil spill". Biotechnology, Reilly predicted, could produce "an environmental breakthrough of staggering positive dimensions".

Using bacteria to break down waste substances is hardly new. Any gardener who has built a compost heap understands the process. Given time, naturally occurring bacteria eat toxic wastes in the same way as they devour garden cuttings. But the process would take years, and hundreds of years in some cases where complex industrial compounds are concerned.

Bioremediation speeds up the natural process. In Alaska, for example, clean-up crews have sprayed beaches with specially formulated liquid fertilisers to stimulate native, oil-eating microbes. "By adding fertilisers containing nitrogen and phosphorous, the populations of naturally occurring oil degrading microbes are increased. Through biodegradation, oil is converted to carbon dioxide, water and more microbes," explains Bob Mastracchio, Exxon technical manager in Anchorage.

Bioremediation was brought to the attention of Texas officials when the Mega Borg, a Norwegian oil tanker, exploded off the coast of Galveston last June disgorging 4.3m gallons of light crude oil into the Gulf of Mexico. When conventional methods failed, and with millions of gallons of oil threatening popular tourist beaches, authorities turned to bioremediation methods, spraying a cocktail of bacterial strains collected at oil spills around the world on to the oil slick in what constituted the first approved large-scale open water bioremediation effort.

According to Alpha Environmental, the Austin biotech company that supplied the oil-eating microbes, 85 per cent of the spilled oil was treated. By introducing large quantities of naturally occurring microbes, degradation of oil is speeded up, reducing a months-long process to a matter of hours, the company claims.

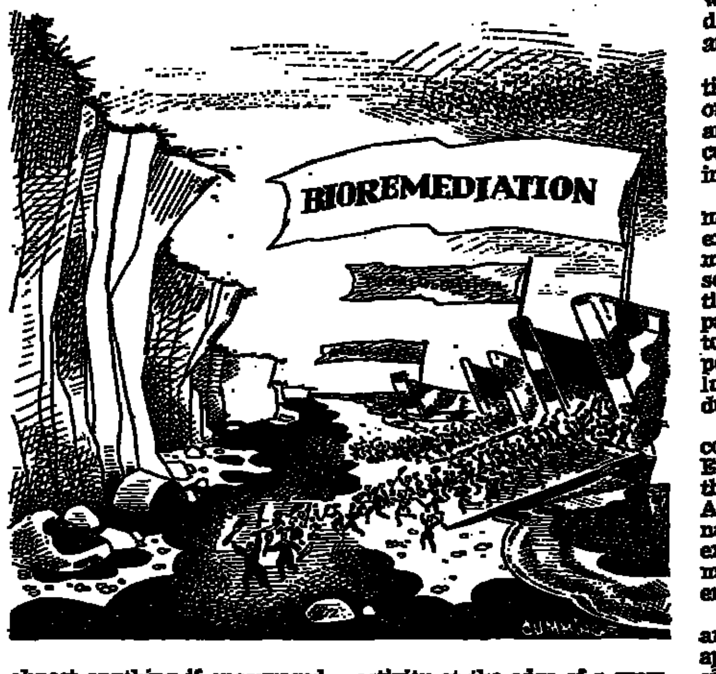
Based on its success in the Mega Borg spill, Alpha has this month formed a joint venture company with EmTech, an oil clean-up services company, to offer bioremediation services. "Our primary concentration in EmTech-Alpha will be the bioremediation of oil spills and ongoing environmental maintenance of large industrial sites," said Eugene Douglas, president of Alpha Environmental.

Offshore oil spills are by no means the only application of bioremediation. There is huge potential for the technology in cleaning soils contaminated by leaky underground petrol station tanks. In Oakland, California, for example, the site of a new shopping centre development that had previously housed a car park and petrol station was found to be contaminated with up to 5,000 parts per million of petrol.

Harding Associates, an engineering firm, won industry awards for the bioremediation system that it designed and installed to clean 10,000 cubic yards of polluted soil and water at the site. The engineering company built a series of injection and extraction wells and infiltration basins to pump water enriched with nutrients and oxygen through the soil, stimulating biological growth in the contaminated area.

The 17-month project reduced the levels of contamination to less than 100 parts per million. Compared with conventional methods of removing, incinerating and disposing of the contaminated soil, bioremediation proved faster and significantly cheaper, according to city officials.

Research is identifying micro-organisms that will eat



almost anything if encouraged by the right nutrients. Organisms that can digest common industrial contaminants such as methylene chloride, carbon tetrachloride and PCBs have been identified by several research groups.

At the Lawrence Livermore National Laboratory in Berkeley, California, a multi-disciplinary team of scientists recently embarked upon an effort to develop bioremediation methods of cleansing underground aquifers contaminated by industrial solvents such as TCE and chloroform.

The researchers are investigating two methods of bioremediation. The first involves injecting nutrients into the subsurface water to stimulate growth of micro-organisms that consume pollutants. The second, and more innovative approach, is to isolate microbes capable of transforming contaminants, grow them in on-site bioreactors and then reinject the amplified microbes back into the subsurface.

By concentrating microbial activity at the edge of a growing underground "plume" of pollution while at the same time attacking the pollution with nutrients to encourage bioremediation, the contamination may be contained and ultimately eliminated.

The Lawrence Livermore techniques are emerging as an attractive alternative to costly conventional "pump and treat" clean-up methods. The project is of great local interest because it addresses the serious underground water contamination problems of Silicon Valley where underground waste tanks at semiconductor and related manufacturing plants have leaked toxics into underground water supplies. The methods may also have broad applications in addressing all sorts of industrial site pollution problems.

While universities and national laboratories are playing a significant role in the development of bioremediation technology, there are more than 200 US companies involved in the field.

Many are small start-ups funded by venture capitalists eager to take advantage of the business opportunities created by this new technology. Celgene of Warren, New Jersey, is cited by investment analysts as a promising example of the new generation of companies offering toxic waste treatment services based upon bioremediation. The company was recently awarded a contract by General Electric of the US, which has been blamed for pollution of the Hudson River with PCBs. Celgene has been developing microbes that attack chlorinated compounds.

Revenues of US bioremediation companies currently total only about \$100m per year, but are growing at a rate of 50 per cent per year, according to the industry analysts.

The big advantage of bioremediation is that it is less expensive than conventional methods of cleaning polluted soil. The cost of bioremediation, at \$50-\$80 per tonne, compares favourably with \$250 per tonne for incineration or \$200 per tonne for removing polluted soil to a toxic waste dump.

There are, however, some concerns about bioremediation. Environmentalists worry that the spraying of fertilisers on Alaska's beaches will upset the natural ecosystem and lead to excessive growth of algae that might leave the shoreline covered in green slime.

US government regulators are also taking a cautious approach to the release of foreign or genetically engineered organisms. "The possibility that a genetically modified organism might proliferate and react with the environment in unexpected and perhaps pernicious ways," is a legitimate reason for caution, warns Reilly, of the EPA.

The potential of bioremediation is none the less alluring. Not only does it offer "natural" methods of cleaning up existing pollution sites, but it also holds the promise of limiting future environmental damage.

It is easy to imaging potential applications – micro-organisms that could survive the hostile environment of an automobile exhaust system to "eat" smoke; others designed to reside in industrial smokestacks. "Designer bugs" could clear the skies of Los Angeles and the rivers of eastern Europe. The business of supplying them might one day create a new high-tech boom industry. In the meantime, bioremediation must prove itself, one beach at a time, along the Alaskan shoreline.

Nitrotec picks the Golden Leaf

By John Griffiths

One of the traditional problems associated with treating low alloy steels to improve their strength and resistance to wear and corrosion has been the necessary use of environmentally harmful substances in the treatment processes. Notably, these have included cyanides, plating effluents and mineral oils – as well as the generation of substantial amounts of carbon dioxide.

Birmingham-based Nitrotec Services, set up by Lucas Industries' Automotive division two years ago, has found alternative ways of achieving the same results without the environmental risks; and, it is claimed, more cheaply than by other methods.

For its efforts it has become the overall winner, among more than 100 entering companies, of a competition sponsored by PA Consulting Group and the Conservation Foundation aimed at encouraging industries to be more environmentally responsible.

Nitrotec's "Golden Leaf" award is for a process which has already won it several motor industry customers. However, the applications of the process are much wider. One of its most notable non-automotive uses so far is for the treatment of very large bars and tubing – up to 25 feet long – destined for air and hydraulic equipment used by the North American power generating industry.

The light but strong steels resulting from the process are also usable in white goods, for engineering applications such as pumps, in office machinery such as paper shredders, copiers and franking machines – even as adjuster mechanisms for hospital beds.

The process, nitrocarburising, began to be developed in the mid 1970s in response to the first oil crisis. Conventional steel strengthening processes involve high temperatures and were thus very energy intensive. Lucas Electrical began looking for processes which might be carried out at low temperatures.

Nitrocarburising was patented in 1982, its development having been led by Cyril Dawes, a 58-year-old metallurgist who has spent almost his entire working life at Lucas and who has been director and general manager of Nitrotec since its creation.

The process involves heating the steel in an atmosphere of ammonia and carbon monoxide. Nitrogen from the oxidised ammonia migrates into the metal surface, increasing its strength and fatigue resistance. Subsequent exposure to oxygen, followed by quenching in a water-based emulsion, produces a thin, oxygen-rich iron nitride compound layer on the surface which is also corrosion resistant. Waste gases from the process currently are burned off to produce nitrogen, water vapour and relatively small amounts of carbon dioxide but Nitrotec is examining the possibility of recycling the gases.

Nitrotec's operations at Birmingham are concerned primarily with providing a treatment service to customers, as well as further research. However, it has already licensed the technology to other companies in the US, Japan, Italy, Denmark and Germany, and has just launched its first joint venture in France.

The process continues to be refined, with Nitrotec S providing one example. In this, the treated metal undergoes a sealing and polishing process, claimed to result in a finish comparing favourably with hard chromium plating. Nitrotec says it has potential for use in engine pistons, suspension units, steel bars and tubing for hydraulic components.

Current motor industry customers include Ford, Rover, BMW, Toyota, Mitsubishi and Renault. They have a number of reasons for using nitrocarburised materials, not least that they can use considerably lighter components than would be the case if they used heat-strengthened steels.

A problem with the latter is that thermal stress resulting from the high temperatures causes distortion of thin-sectioned components, which prevents parts being made lighter in proportion to increase strength. However, by using thinner, nitrocarburised materials, Rover, for example, has been able to save an average 12 kilogrammes per vehicles by using thinner but no less strong bumper supports.

LETTERS

Dividend cuts no help on cyclical trade difficulties

From L.E. Linaker

Sir, We should like to respond to the remarks on dividends by Lex in his column ("Bank dividends", December 10). Lex is not alone in his apparent distaste for the maintenance of stable dividend levels by companies in periods of cyclical downturn.

Many stockbrokers' analysts reiterate the same views. We would guess that none of these commentators has had to exercise the responsibilities of serious investment management over many years, as we and others are obliged to do.

We are absolutely convinced that Lex and his like are wrong in their whole approach. He himself referred to the "need to maintain confidence and access to the capital markets" as a policy reason for maintaining dividends.

This is correct, both in theory and practice. As long-term investors, we believe in a constructive dialogue with the boards of the companies in which we have a significant interest.

We accept all the responsibilities which go with ownership. We expect the managers of these companies to seek our help where appropriate in times of difficulty. We do not think that cutting dividends is the solution to cyclical trading difficulties.

History has demonstrated how bitterly certain companies have regretted such moves once the immediate circumstances have changed.

If a company is confident in its longer-term future, why should it breach that confidence, and jeopardise its relations with its shareholders, whether private or institutional, with such a response to temporary problems?

Investment for future profit, cash requirements, and other corporate matters should be planned around stable dividend policy. Dividends *do* matter. They are not just a fluctuating residual. They are the core of the relationship between management and owners.

L.E. Linaker
chairman
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EC3R 6BQ

'Disastrous' signals sent in electricity privatisation

From Mr Howard P. Shore

Sir, In Lex on Monday ("So farewell then, privatisation", December 10) it was suggested that the privatised monopolies have been sold on a "dodgy" prospectus because they remain regulated.

At least the government never suggested otherwise. The greater misrepresentations came elsewhere.

Customers were told that they would be given priority for applications in their local company. However, customers who applied for 4,000 shares in London, an offer which was less heavily subscribed than most, were allocated none. By contrast, a non-preferential application for London of up to 1,000 shares, which might even have been made by a non-UK resident, was allocated shares. So much for priority.

What about fairness? Applicants for 100 shares, possibly in all 12 companies, were allocated virtually in full. Yet an applicant for 600 shares in four companies may have only received about 4 per cent of his or her application.

One might understand this if the allocation was in the best interest of taxpayers; but it was not. That the costs of registration have been maximised may not matter. A disastrous signal will have been sent to serious private investors.

The privatisation of the power generating companies will set out with the stigma of the distribution fiasco. Most advice will deter the applicants with £100 to invest because the generating companies are not utilities.

However, it will be exceptionally hard to persuade serious private investors to apply. Having been kicked in the teeth by an allocation of a tiny percentage of their application, or none at all, will they be keen for further punishment? They may be brought back, but only by under-pricing the issue.

Howard P. Shore
managing director
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Call for return service deals to encourage more training

From Mr Julian Cummins.

Sir, The problem of encouraging companies to invest in training is very real, but bureaucratic and tax-based solutions such as those proposed by the IPM on December 3 miss the commercial reality.

Companies will only invest in training if it creates differential advantage against their competitors and contributes thereby to shareholder wealth.

In doing so, however, they add to the differential advantage of their employees, who then demand higher salaries or leave to obtain them.

The result is to negate the commercial advantage in training.

The difficulty is that contracts which require return of service during and after training are largely unenforceable.

In sectors such as advertising, it is difficult even to enforce contracts against client-stripping, let alone training-stripping.

If companies are to invest in training, they must be able to see a return on the asset value they have created.

The government should consider amending employment law to allow contracts for return service or repayment in lieu to be enforceable, and leave the rest to the market.

Julian Cummins,
managing director,
Avisia,
Mill House, Troy Road,
Horsforth, Leeds

Lower fees put security of audit at risk too often

From D. S. Tallon.

Sir, The article by William Bishop and Simon Carne ("Accounting for nothing", November 15) clearly identifies some, but not all, of the issues.

Since the authors have fairly stated their own bias in favour of prompting litigation I, too, should make it clear that I am an accountant in practice, although I do not necessarily speak for my partners.

The authors' perhaps humorous reference to "a reduced audit fee to take account of the saving in the auditors insurance premiums" really gives the lie to the problem.

One other aspect of it also showed in the gallery of famous business names who have recently lost their job in the same issue.

Without exception all these people were dominant personalities in their companies and almost certainly had a large say in the appointment of auditors and fee-fixing involved.

Those with the most interest in promoting a rosy view of the management, by means of the accounts, have had the most influence and power in the appointment and remuneration of the auditors.

The result has been that fees have been driven down to the point where the security of audit has been put at risk much too often.

The only way that accountants have made good has been an increasingly unhealthy reliance on a variety of additional advice.

The consulting arms of nearly all the major audit firms have made the largest contribution to the profitability and growth of those firms.

Most responsible practising accountants would, indeed, prefer not to hide behind the *Caparo* decision.

However, the truth of the matter is that the pincer movement of the reduction of the audit fee and the increase in the professional indemnity premiums has already, demonstrably, operated against the interests of everybody except incumbent management.

The price for a return to the status quo ante absolutely requires that management should not be allowed any significant voice in the appointment of the auditors.

A secondary consideration must surely be that the kind of consultancy which is directly involved with profitability should not, by law, be taken from the client's auditors.

The necessary critical judgments must be at risk.

D. S. Tallon,
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Merchants Quay,
Bristol

ARTS

TELEVISION

Powerful pull of the documentary

Documentaries aren't what they used to be; that is the accepted wisdom among those who remember the first appearance of such works as *Night Mail* and *Fires Were Started*, and also among the young fogeys who hang around the fringes of any cultural endeavour chanting "The giants are dead, the world is going to the dogs". Last week's tribute on ITV to the renowned documentary maker Denis Mitchell who died in September, presented by Denis Forman (who ran Granada during the 1960s and 70s when Mitchell did most of his work there) provided an opportunity to test this assertion.

Admittedly Mitchell was not a central figure in Britain's main documentary school which was a part of a bigger movement that began before the second world war. This movement was peopled to a large extent by middle class oddballs with a social conscience who pursued a sort of gentrified socialism. The most important manifestations emerged in the mass media, starting in the 1930s with *Picture Post* and Mass Observation and moving through to Cudlipp's *Daily Mirror* in the mid 1960s.

In the middle were the documentary film makers who felt that their proper subjects were "the workers": trawlermen, laundry women, council house tenants – anybody who could be described as "the salt of the earth". Much of the time the film makers saw "the workers" and their lives and supposed attitudes through the same sort of rose tinted spectacles as had been used by an earlier generation to look so fondly upon the noble savage. All "workers" were horny handed sons of toil, as honest as the day was long, who scampered off to WEA classes in the evenings. None of them stripped the lead from the church roof when unemployed.

To produce the effects desired by the film makers it was sometimes necessary to cheat a bit with the facts; to indulge in what John Grierson, one of the founders of the movement, called "the creative interpretation of reality". Mitchell's interests certainly included "the workers" but spread well beyond them. There was not a great deal of Griersonian manipulation in the material shown by ITV for its tribute, partly because the main subjects chosen were Quentin Crisp and the town of Maryport, yet there were still a couple of indications.

Forman's first clip was from one of Mitchell's most memorable documentaries, the 1959 film *Morning In The Streets*. It ended with the voice of an old woman remembering a wartime death and a commentator describing the scene at the Cenotaph, while the camera panned down to a pavement doorstep to find three toy soldiers, all of them knocked over – "dead". Authentic objets trouvés or a bit of Griersonian manipulation?

In *Quentin Crisp* (which, as early as 1970, included most of the famous aperçus that, 15 years later, Crisp turned into his one-man show, everything from the dust not getting any worse after four years, to his need to win the love of a real man though real men did not fall in love with other men) we watched as the interview in the bed-sitting room ended, and peered poignantly over Crisp's shoulder as he silently observed the camera crew crossing the road and driving away. And who filmed all this? Mitchell's second crew, presumably. Demystifaction or manipulation?

The Maryport film was remarkably long, slow and repetitive, and it was never clear why Mitchell kept on interviewing his reporter, Roy Gosling about his life. Using a discursive and impressionistic technique the programme did convey an intense sense of atmosphere and locality, but then so it should have, given the time and footage allowed. No doubt it achieved its objective, but that was pretty limited.

Consider the documentaries which pour out of the box today and it is hard to avoid the conclusion that many of them are more impressive because so much more ambitious. Communicating the feel of a small town via a documentary is not all that difficult, but communicating a clear idea of how Japan was transformed from an atomic bomb-site in 1945 to the world's most powerful economy in 1990 is. True, producer Peter Pagnamenta has had eight 60-minute programmes on BBC2 in which to do it, but even taking that into account the achievement still remains more notable.

Different approaches have been used in the various episodes of *Nippon*, ranging from the system established most firmly by *The World At War* (extracts from many archives interspersed with modern day interviews with those who were there, plus voice-over, with particularly telling mix-throughs from faces in 1945 crowds to the same people speaking 45 years on) to the standard current affairs formula which is so familiar to us today.

Such familiarity does breed a certain amount of contempt, or at least a blasé attitude among viewers who are, perhaps, too accustomed now to having the affairs of the world packaged and dropped in their laps. Yet the ability of a series such as this to convey not only *what* has been achieved in Japan, but a fairly detailed account of the social, historical, industrial, and geopolitical means whereby it has been done, still seems to me pretty remarkable.

Or take a piece of work such as Nadia Hagger's BBC1 *Omnibus* about the Madonna phenomenon: this was a programme which completely changed my mind. I began with the assumption that I would quickly grow tired of watching the marketing of a mindless bimbo, and ended wanting more. Hagger showed that Madonna is anything but mindless. The exploitation of religious imagery which previously seemed vaguely naughty and highly commercial is in fact deliberately provocative, springing from what appears to be an intelligent hostility to organised religion.

Madonna: anything but a mindless bimbo

And the sex in her stage show and videos which I had taken to be merely cynical marketing reflects a genuine enjoyment of sex, and a shrewd belief that "pussy rules the world". The programme showed that, far from being just another pop puppet, this young woman is deliberately shoving back the boundaries of the acceptable in the mass media much as Lawrence, Miller and Joyce did a generation earlier.

The ITV documentary *Rowan Atkinson – The Driven Man* on Saturday evening was less of a revelation yet this, too, had considerable ambition. As readers of the colour supplements will know, comedian Atkinson is a car freak and in this programme he set out to explain the attractions of the car to him, and the history of his association with it: driving the tractor on his parents' farm, mending and driving his mother's Morris Minor, and finally reaching a point where he could afford to indulge crazy impulses such as buying a stretched Mercedes limo.

His sessions on a couch in front of two social psychologists were predictably tedious since all we got was forseeable farcical Freudian fol-de-rol. (The satisfactions of sitting in a motor car? An intra-uterine experience, etc). But despite that the programme had a much of interest to say about the car and why we feel the way we do about it.

There is no denying the extraordinary power of early documentaries, from Grierson's own *Drifters* to Humphrey Jennings' *Diary For Timothy*, from such early silents as Flaherty's *Moana* and Eisenstein's *Ten Days That Shook The World* to the alarmingly stirring wartime material in *Western Approaches* and *London Can Take It*. It is true that television rarely if ever delivers such straightforward documentaries as that any more.

But to suggest that we have lost the art of making documentaries is absurd. If you told me I had to forsake either television fact or television fiction I would unhesitatingly give up fiction. There are other forms and other media – books, theatre, cinema, radio – which deal as well or better than television with fiction, but the television documentary, a term which now covers a multitude of programme types, has no equal elsewhere.

Christopher Dunkley

Christopher Dunkley yesterday received the special judges prize in the TV-am national broadcasting awards. It was the first time a special award had been made for the single most outstanding article in all categories.

The Merchant of Venice

THEATRE LES AMANDIERS, PARIS

The production is German, the theatre is French, the setting is Wall Street. Money talks – in any language. Out of context, *The Merchant of Venice* surprises like a new play: a tale of city slickers, love for sale, fortunes smashed. When bigotry slices across its glossy surface, there's a double shock of recognition: the old story of merchant and money-lender, the contemporary world.

Often Shakespeare as up-to-date spectacle is constrained and gimmicky, skirting the real issues. Peter Zadek's production, which I caught on tour from the Vienna Burgtheater at the Paris Autumn Arts Festival, offers a major new interpretation: the individual out for himself, survivors instead of victims and criminals, a trickster fanned by chance into a near murderer. Zadek's theme is that money makes the world go round; moral tabs don't work.

Rising up to the loft of the large Amandiers stage, Wilfried Minks' multi-storey bank looms like a Richard Rogers' fantasy: steel tubes, glass frames, mirrored panels. A giant elevator tips the cast of Venetians/Yuppies into the hallway of an anonymous office floor: a modern forum. The lift snaps shut, a briefcase flicks open, characters dart across the stage and are gone, criss-cross, clip-clop, now you see them now you don't. Spareness of movement, high energy, routine money-making. Every detail emphasises hard lights and sharp angles: glistening tiepins, streamlined cordless phones, starched shirts, macho braces.

If anyone is out of it in Zadek's pacy production, it's not Shylock but Antonio (Ignaz Kirchner): world-weary, greying, no longer up to to the Wall Street speed. He tries to get going with a work-out, but he is clearly in need of human warmth. His friendship with Bassanio is beautifully modulated, the older man seeing beyond the younger's flamboyant affection even as he is cheered by it. Bassanio (Paulus Manker) is bold, untouched by life; baffled when a deal his friend has made for him gets out of hand, childishly pleased when he chooses the right casket and nets a rich wife. He is matched by Lorenzo (Christian Fries), Venetian fop turned designer-label Yuppie; both ought to be hateful and are somehow winning.

Shylock is more sober but absolutely integrated. Just into middle age, blond and brillcreamed, he recalls Michael Douglas in Oliver Stone's film *Wall Street*. "Which is the merchant here and which the Jew?" asks Portia, turning to the wrong man. Gert Voss plays a dealer as straight or crooked as the rest – tense, speech clipped, the guy in the office who makes black jokes about bonds in pounds of flesh. An unexpected gain is the poetry. Shylock's set speeches – "Many a time and oft/In the Rialto", "Hath not a Jew eyes?" – have the familiarity of opera favourites. Instead of declaiming them, Voss barely raises his voice, slips them into casual conversation as ideas that have just crossed his mind. There's not a whiff of the stagy villain nor of Shylock the martyr, the Jew as Christ who appeared in German post-war productions. And yet ... Zadek is an assimilated Jew himself and what makes this portrait so psychologically convincing is the cracks. There is a moment when Solanio and Salerio are chattering over their newspapers, then turn to stone as Shylock appears.

This Shylock is a highly-strung man who hems himself in on the office floor but in the company of fellow Jew Tubal sits on his briefcase and sobs – the single explosion of emotion in the evening. As the play unfolds, so does this driven quality, leading to his murderous designs and fall. But there is no remorse or self-pity: only a sense that his strength in adapting will see him back at his desk before long.

Zadek works the theme through with Jessica, the girl who wants to cut a figure in the modern world and is made vulnerable by her orthodox background. Scarcely out of her father's house, she runs across the tail end of an office party/Venetian masque, whose revellers a once try to undress her. Julia Stemberger strikes exactly the balance between hysteria and guts in the not-quite-assimilated Jewess throwing banknotes among the debris of streamers.

For the Belmont scenes, Johannes Grutzke's painted screens roll down to suggest another sort of trivia: the Arcadian idyll of inherited wealth versus the business of earning it on Wall Street. Eva Mattes is an airy Portia, an Ivy League girl who knows what she wants and has the wits and cash to get it. Zadek plays up humour to deflect her sweetness – the suitor Aragon as a storm trooper addressing the caskets with military precision; two (male) Yuppies making it with one another as the three couples get together.

Comedy brings flat parts to life and underlines Zadek's ideas about survival against the odds. Old Gobbo (Urs Hefti), a Vietnam Veteran who shoots up and down the lift because he cannot see which floor to come out on, and his son Launcelot (Uwe Boehm), Wall Street runner in Union Jack T-shirt who sends Bassanio's briefcase up to the tenth floor in his efforts to trick his father, had some of the Paris audience falling off their seats. Zadek makes the Gobbos comic parallels to Shylock, jokers about death, survivors at once heartless and human. It is a magnificently sustained reading of the play.

Jackie Wullschlager

Help! I'm Alive

ALMEIDA THEATRE

London's theatre year would hardly be complete without a little something from Theatre de Complicité at the Almeida in Islington, scene of past successes including an outstanding 13-week residency, which gave followers of this envigorating company a chance to evaluate their progress.

It was clear then that the term "physical theatre" was no longer adequate. Their skills were still mime-based, but they were capable of applying them succinctly and eloquently to classic texts. Their version of Durrenmatt's *The Visit* was, and is, among their finest work, devoid of the knowingness that can sometimes be irritating.

In *Help!, I'm Alive* they arrive at *Commedia del'Arte with* an ease which convinces one that this is where they were headed all along. At no point do they give the impression of accurately serving the play, *Il Bilora*, an obscure piece by the 16th century Italian dramatist Ruzzante, but that would hardly be the point, since commedia is all about resourcefulness in performance. Their truth, accordingly, is to the spirit rather than letter of the genre. They play without masks, drawing their characterisation from Complicité's, rather than *commedia's*, costume box.

The story, such as it is, is of Bilora's efforts to win his wife back from her elderly sugar daddy Andronico, here a balloon-bellied mafioso flanked by bodyguards in designer shades and played by Kathryn Hunter in a blissfully distorted echo of her (female) role in *The Visit*. She performs Andronico's description of *his* "sweetest thing" – his lover – like a jazz player taking a solo turn: guttural, slavering and jerking with remembered lechery.

Marcello Magni brings archness and impeccable comic timing to the slapstick antics of the bereft Bilora, while Toby Sedgwick, late of the Moving Picture Mime Show, imbues Bilora's spivish uncle with disreputable verve.

Alastair Muir

Toby Sedgwick

Lilo Baur, teeth blackened into a jagged mask which belies her little-girl simper, and Clive Mendus, narrator and heavy, round up a cast which, under the direction of Magni and Jos Houben, goes further than most towards finding a modern idiom for the ancient art of *commedia*.

Claire Armitstead.

Die Fledermaus

ROYAL FESTIVAL HALL

But oh! these Dames. Give them half a chance and they get away with blue murder. Instead of including German dialogue in this concert performance of *Fledermaus*, the Royal Philharmonic Orchestra had the bright idea of inviting Judi Dench, in black 19th-century gown and matching choker, to narrate before Acts One and Two. It was an arch, School of Anna Russell, version of the story, calling Orlovsky's party "this soiree with a binge on top" and so on.

She wound it up with this afterthought: "The whole plot is completely irrelevant. The only important thing is the gorgeous music." Now, I do not hold with this. Its story is good, a clever farce that teases bourgeois convention. Dench's script, drawing attention to its own wit rather than the operetta's, left people so lost with the plot that they scurried off in the interval to gen up in the programme.

The performers, dressed in modern equivalents of their characters' garb, moved around a bit and behaved, *pace* Dench, as if they believed in, and relished, the plot. In particular, Barbara Bonney, Haken Hagegard and (natch) Brigitte Fassbaender sang with German with such vivid utterance that I'm sure they could have made the spoken dialogue captivate a Festival Hall audience. (The performance is repeated tonight, but with Barbara Daniels as Roselinde.)

Bonney, so impish, has all the deft sparkle to make a great Adele. Though some topmost notes were slightly pinched, her perfectly focussed glow of tone carries her light voice easily through any ensemble. Hagegard – though, yes, I prefer a tenor in this role – is simply the most huggable Eisenstein since Hermann Prey, always *in medias res*, always the spontaneous *bon viveur*. As for Fassbaender, recovered from recent ill-health, who could believe that she has been a great Orlovsky for 20 years now? She still embodies the Prince's swaggering *ennui* with youthful imperiousness.

Stafford Dean, replacing Harry Peeters at short notice, sang Frank with stylish authority to match such colleagues. Benjamin Luxon, Kim Begley, John Dobson and Susannah Waters – as Falke, Alfred, Blind and Ida – never let down the sheer spirit of the proceedings. What an infectious score this is. The RPO played with gorgeous delicacy and zest; Andre Previn doesn't bring out every Viennese lilt, but he gives it brio, swirl, champagne.

And then there was the other Dame. It was constantly astonishing to behold Kiri Te Kanawa on Monday night. She looked a poem – skin, hair, and gown a ravishingly close array of honeys and golds. The voice, especially towards the top of the stave, is radiant with peaches and cream; she has – though not as fully as she once had – all the notes. I remember Gerald Moore on Elisabeth Schwarzkopf: "It seems to me quite unfair for anyone to look so ravishing and sing so beautifully." And, as ever, she is just our Kiri, magnificently unspoiled by her great success, enjoying the party with the best of them. But how come the most famous person onstage is the least expert in projecting her lower tones? How come a Roselinde of some thirteen years' experience shows no interest in Viennese style? How come she never points her syllables as if the plot hung upon them? I was happy to see her, happy to hear her, but you know what? I can't remember how she delivered one single phrase.

Alastair Macaulay

Jonathan Miller wins Albert Medal

The latest recipient of the Royal Society of Arts annual award, the *Albert Medal*, is the theatre-director and writer, Jonathan Miller. Receiving the award – first instituted in 1863 by the Prince Consort – from the Duke of Edinburgh, Miller deplored the "curious anti-intellectualism" of the British. "You land in Pseud's Corner if you say *anything of interest*," he told an audience of distinguished dinner-guests.

Previous winners have included Winston Churchill, Lord Olivier and Lord Sainsbury who won it last year.

ARTS GUIDE

December 7-13

THEATRE AND OPERA

London

The Rehearsal (Garrick). Jean Anouilh's play directed by Ian McDiarmid with costumes by Jasper Conran in a production that has received excellent reviews (071 379 6107).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. (839 5972).
Hamlet (Lyric Hammersmith). Cheek by Jowl's idiosyncratic production, directed by Declan Donnellan (071 839 2244).
Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years – a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January.
Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667).
Miss Saigon (Drury Lane). Spectacular and successful musical about a love story between an American GI and a Vietnamese girl during the fall of Saigon in 1975 (071 836 8108).
Into The Woods (Phoenix) Julia Mckenzie shines as the witch in Stephen Sondheim's compendium of fairy tales. The title song is more memorable than a storyline that descends into recrimination and chaos as the characters' dreams turn sour (867 1004).
Cats (New London). The formula of T.S. Eliot words, Lloyd Webber music and feline dance has made this Britain's longest running musical (405 0072).
The Rocky Horror Show (Piccadilly). Revival of the 1970s classic, directed by Robin Lefevre (071 867 1118).
Royal Opera, Covent Garden. A new production by Adolf Dresen of *Fidelio* conducted by Christoph von Dohnanyi has Gabriela Benackova, Jan Blinkhof, Monte Pederson and Robert Lloyd in leading roles.
English National Opera, Coliseum. *Cosi fan tutte*, in John Cox's stylish 1980 production, returns with a new cast, led by Rita Cullis and Glenn Winslade, and Peter Robinson as conductor. Further performances of the new double bill – Delius's *Fennimore and Gerda*, Puccini's *Gianni Schicchi* – conducted by Charles Mackerras, produced by Julia Hollander.

Paris

Josef Nadj and his Théâtre Jel come with asurrealistic premiere of *Comedia Tempia*. Théâtre de La Ville (42742277).
Opéra. Plagued by strikes, the controversial opera's *Otello* production is followed by *Figaro's Hochzeit* conducted by Gabriele Ferro in Ezio Frigerio's decors and costumes with Ferruccio Furlanetto as Figaro. Bastille Opéra (40011616).

Milan

Teatro Alla Scala. Riccardo Muti opens the new season conducting Roberto de Simone's production of Mozart's *Idomeneo*, designed by Mauro Carosi. The cast includes Gösta Winberg, Delores Ziegler, Carol Vaness, Francesco Piccoli and Ernesto Gavazzi (72003744).

New York

Falsettoland (Lucille Lortel). It will be known as the first musical about Aids hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film in an elegant, but somewhat random setting (246 0102).
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).
Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encourages her daughter into burlesque (246 0102).
Metropolitan Opera. John Copley's new production of Rossini's *Semiramide* conducted by James Conlon, who also conducts *Salome* in Nikolaus Lehnhoff's production. Julius Rudel conducts Dino Yannopoulos's production of Giordano's *Andrea Chenier* (362 6000).

Washington

Grand Hotel, the Musical (Opera House). Tommy Tune's five Tony award winning musical stars Liliane Montevecchi, Brent Barrett and Mark Baker in the remake of the Garbo film that recreates decadent, dark and dramatic Berlin of the 1930s. Kennedy Centre (468 4600).

Chicago

Other People's Money (Royal George). Corporate takeover artist Larry "the Liquidator" Garfinkle is played for all his mischievous worst by Peter Van Wagner in Jerry Stern's funny and telling view of contemporary finance, directed here by the star of the off-Broadway production, Kevin Conway (988 9000).
Phantom of the Opera (Auditorium). The midwestern production stars Karen Culliver surrounded by the familiar chandelier and other heavy duty props in a full blown staging (902 1919).
A Christmas Carol (Goodman). William J. Norris returns for his 12th season as Scrooge in the annual Goodman production (443 3800).
Lyric Opera. Tatiana Troyanos has the tile role in *Carmen* with Neil Shicoff as Don Jose, conducted by Eduardo Mata. Leo Nucci sings the title role of *Rigoletto* in Sandro Sequi's production conducted by John Fiore. Civic Opera House (332 2244).

Constable fails to sell

Works by the UK's two leading artists made the news yesterday. Phillips failed to dispose of Constable's "The entrance to Fen Lane", when the bidding stopped at £1.8m, while Agnew's, the Bond Street dealers, announced that it was offering for sale one of Turner's finest views of Venice, "The Giudecca from the Canal di Fusina", which carries a price tag of $25m.

Agnew's has sold this painting on three occasions already since it was exhibited at the RA in 1841, the last time in 1959 to an American collector. It is reckoned to be the finest Turner to appear on the market for some years and its price, if achieved, would be a record for a work by the artist. It is on show in Bond Street until December 21.

Christie's had a good sale of Old Master drawings yesterday which brought in over £900,000, with 12 per cent unsold. A red chalk drawing by the 16th century artist Primaticcio of "Ulysees shooting through the Rings" sold for £242,000. It had been owned by Reynolds.

There was a disappointment in the works of art sale when a white marble group of The Three Graces, from the workshop of Canova, and slightly smaller than the version causing all the worry in the art world, was unsold at £45,000. The Royal Holloway and Bedford New College is around £44,000 richer from selling a Florentine glazed terracotta statue of the Angel of the Annunciation, made around 1510.

Antony Thorncroft

Towards the Millenium

The City of Birmingham and the South Bank Centre in London are to stage an arts festival, lasting through the 1990s and called *Towards the Millennium*, as a celebration of the twentieth century.

The plan is to highlight 20th century artistic achievements decade by decade, with one decade for each year until the end of the century. The greater number of events, covering both the performing and visual arts, plus science and design, will take place in Birmingham, although special performances of the London Sinfonietta have been scheduled at the South Bank Centre.

Next year's events, on the musical side of the festival, include performances of Elgar's *Dream of Gerontius*, first heard in 1900, Debussy's *Pélleas et Melisande*, first heard in 1902, Schoenberg's 2nd string quintet, first heard in 1908 and *The Firebird* by Stravinsky, composed in 1910.

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
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Wednesday December 12 1990

US embraces Latin America

SOONER or later President Bush had to visit Latin America to demonstrate his seriousness about his initiative Enterprise for the Americas. This envisages a free-trade area stretching eventually from Alaska to Antarctica.

Unfortunately, last week's tour of the region took place while the president's mind was elsewhere. The Gulf crisis was at a crucial stage, the Uruguay Round of multilateral trade negotiations in its agonies and the Soviet Union unravelling. This was not a propitious moment to set right decades of misunderstanding and neglect in the region, as President Bush had promised in June when he announced his initiative.

Nevertheless, the circumstances diminish neither the symbolic importance of the presidential tour nor its significance for future relations between the US and the rest of the Americas. By visiting Brazil, Uruguay, Argentina, Chile and Venezuela at this juncture, he underlined his desire to begin a new era in US dealings with Latin America.

The region's governments, though sceptical of President Bush's motives, welcomed the change of emphasis in policy that Enterprise for the Americas appeared to signal. This idea discards the strongly ideological emphasis on security and aid of the Reagan era, and concentrates instead on freeing trade, promoting investment and reducing foreign debt. This shift in the US stance caught the changing political and economic climate of Latin America as the region emerged from the debt crisis anxious to play a more active part in the world economy.

Awaiting details

In the months since June, Latin American leaders have been impatient for detail. Even so, they have come to recognise that although ties with Europe will continue and new partnerships with east Asia will emerge, the region is increasingly linked to the US, not just by trade, but by environmental issues, immigration, language and narcotics.

These interests offer a more lasting synergy than those prevailing at the time of the last comparable venture – Kennedy's Alliance for Progress. This was a defensive response to the perceived menace of communism in the wake of the Cuban revolution. Enterprise for the Americas, on the other hand, follows the collapse of communism and the emergence of new multi-polar blocs which have forced the US to redefine its alliances in a less imperial manner.

Most Latin American leaders suspected that Washington's new interest in the south extended no further than neighbouring Mexico. Only two weeks ago, President Bush met President Carlos Salinas de Gortari in Mexico to lay down the framework for a Mexican-US Free Trade Agreement (FTA). Yet by visiting the region so soon afterwards, the US president has provided a necessary sense of balance and cleared the air with all he met.

Model country

Undoubtedly Mexico will act as the test-bed and model for US relations with the region. However, America's message is that the degree to which any country in Latin America can enjoy the advantages of a free trade agreement with the US will depend in large measure on the soundness of its economic management. For instance, Chile, the country that has carried out the most successful adjustment programme in Latin America, managed to obtain from President Bush a commitment to work towards a free trade agreement.

Other countries recognise that their bargaining position with Washington is going to be reinforced if they first achieve a degree of integration among themselves. Such an approach is favoured by Argentina, Brazil and Uruguay, which are pledged to form a limited common market by 1994. But before any progress is made on this, Brazil, the regional giant, must emerge from its current economic mire.

This underlines the point that President Bush's initiative is not a solution for Latin America's problems. Geared to rewarding the economically successful, it does not offer instant cures for those who cannot get their policies right. They will have to sort themselves out first.

Venture capital for start-ups

THE British venture capital industry is in introspective mood. After a decade of very rapid growth the next two years are expected to see a downturn. The big City institutions which provide much of the industry's capital are more demanding and want to see the returns on their original investments before putting up more cash. The managers and entrepreneurs whom the industry seeks to back have grown tired of the venture capitalists' more extravagant claims. Too many venture capitalists are greedy in structuring deals and they do not always provide the back-up they promise, disillusioned managers claim.

A report commissioned by the British Venture Capital Association from Warwick Business School concludes that the most successful firms will be those which can demonstrate high returns to their investors or which develop a regional or industry niche. Venture capitalists will also have to meet investee companies' demands for a higher level of advice and service.

The 18 chief executives of venture firms interviewed acknowledged that venture capital's greatest failing had been the lack of support available for start-up and early-stage businesses, particularly those in the high technology area. The industry is trying to encourage the creation of very early stage "seed capital" but it does not expect early-stage deals to account for more than the present level of 15 per cent of all financings by 1995.

Worries remain

This period of reflection is welcome. Venture capital has been one of the most significant new financial techniques for channelling funds into industry to emerge in recent years. The industry has financed about 12,000 businesses over the past decade including, in the past three years, an average of 10 start-up and early-stage companies a week.

Nevertheless some worries remain. The Warwick report forecasts a concentration of money with a smaller number of the more successful funds. Experience has shown that as funds grow bigger they are less able to back smaller companies economically. This concentration appears to contradict the expectation that the smaller, early-stage companies will receive the additional level of advice and service that they require.

Second, a majority of the chief executives felt that many potential users of their services had a negative image of the industry, largely based on ignorance of what it did. This conclusion is puzzling. Few sectors of the financial service industry have received such exhaustive and frequently uncritical coverage as venture capital. There probably is a case for more focused marketing effort by the industry but it must avoid the temptation to blame the cracks in its image on the ignorance of its customers rather than on any failings of the product it is offering.

Barrier cleared

Finally, publication of the Warwick report has coincided with a statement from 3i, the largest UK venture capital company – though it now prefers to call itself an "investment capital" company – that the Inland Revenue will not appeal against a ruling that the company can be treated as an investment trust. This clears the final barrier delaying a flotation of 3i.

Senior 3i executives are adamant that a public listing would not force them to become more short-term in their approach to investments. But if any of their activities are put at risk as a result of going public, they will be the smaller, early-stage investments. Meanwhile other, admittedly smaller, venture capital companies with investment trust status are winding themselves up because early-stage, high-tech investments did not give them the dividend stream they needed to reward their own investors.

Any further development which encouraged the industry's shift away from smaller, early-stage investments would be regrettable. Such investments are expensive and time-consuming to manage but they remain a vital ingredient in economic renewal. The venture capital industry must continue to look for ways to strengthen this activity.

Anthony Robinson examines the economic dilemmas facing western policymakers dealing with the Soviet Union

The bankrolling of eastern promise

European leaders attending this weekend's inter-governmental conferences in Rome will face some hard questions over the best way to deal with the Soviet Union and eastern Europe.

While the political will to help has never been stronger, closer acquaintance with the practical difficulties and cost of transforming even the most advanced east European countries such as Poland, Hungary and Czechoslovakia has revealed the awesome scale of the assistance required to transform the Soviet Union from Ottoman-style military superpower to functioning market economy.

What is more, as the emergence of an alliance of KGB, Communist party and military conservatives underlines, it is still far from clear that a modern, western-style consumer society is what the confused Soviet leadership is aiming for. Such a society is incompatible with maintaining a modernised version of the Soviet empire through the old authoritarian institutions whose supporters are now re-emerging.

The resulting ambivalence explains the dilemma for western policymakers – how to help the Soviet Union reform itself, and prevent a feared collapse into famine, civil war and anarchy, while making quite clear that the west is not prepared to throw billions of dollars into the black hole of an unreconstructed Soviet state and economy.

The problem is the lack of incontrovertible evidence that dismantling military-related industry to unleash resources for other uses is taking place on a large enough scale. According to the 1991 budget, spending on defence will rise R27.6bn to R132bn next year. This probably represents a small cut in real terms, but certainly there is no evidence that military research and procurement has been savagely cut to match the scale of political detente between east and west.

Donors favour targeting priority areas so as to create the conditions for currency stability and convertibility

Under these circumstances common-sense militates against large-scale, unco-ordinated loans to sustain the inertia of heavy military spending. The alternative now favoured by potential donors is for a closer targeting of priority areas crucial to raising hard currency earnings, modernising key sectors and above all creating the pre-conditions for currency stability and convertibility.

This practical need for close co-ordination of future economic and financial aid was explicitly recognised at the Houston economic summit in July when the Group of Seven leading industrialised countries decided to send a mission to Moscow to assess Soviet needs and agreed on a joint approach including the European Community, the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development and the new European Bank for Reconstruction and Development.

Since then, however, perceptions of the Soviet crisis have darkened following the inconclusive debate over the Shatalin plan for radical economic reforms, uncertainty over the future status and powers of the constituent republics and increasingly urgent pleas from Soviet officials for short-term food and medical aid.

Closer investigation of the food supply situation confirms there is no real shortage of food. The problem is a chaotic and corrupt distribution network in which opportunities to corner and re-sell goods is rife. This black market in foods is a result of suppressed hyper-inflation caused by the Soviet government's failure to curb deficit spending or move decisively away from the old command economy.

The confusion over reform starts at the top where President Mikhail Gorbachev continues to swear his allegiance to "socialism" and rejects radical proposals for returning land to private ownership, while Mr Nikolai Ryzhkov, his prime minister, pledges to defend military-related industry. Mr Ivan Silyaev, the prime minister of Russia, says that military-related industry accounts for about 55 per cent of Russian industrial production.

A 6 per cent rise in the output of consumer goods this year, and projected steep falls in industrial production generally over the next two years, indicates that some slow progress is being made to wean the Soviet economy from its overwhelmingly military orientation. But it is not radical enough to free resources for export or for internal consumption. For this to occur, effective commodity and wholesale markets are needed to replace the old and discredited central allocation system. They do not yet exist, leaving a gap to be filled by mafia-type organisations outside the law.

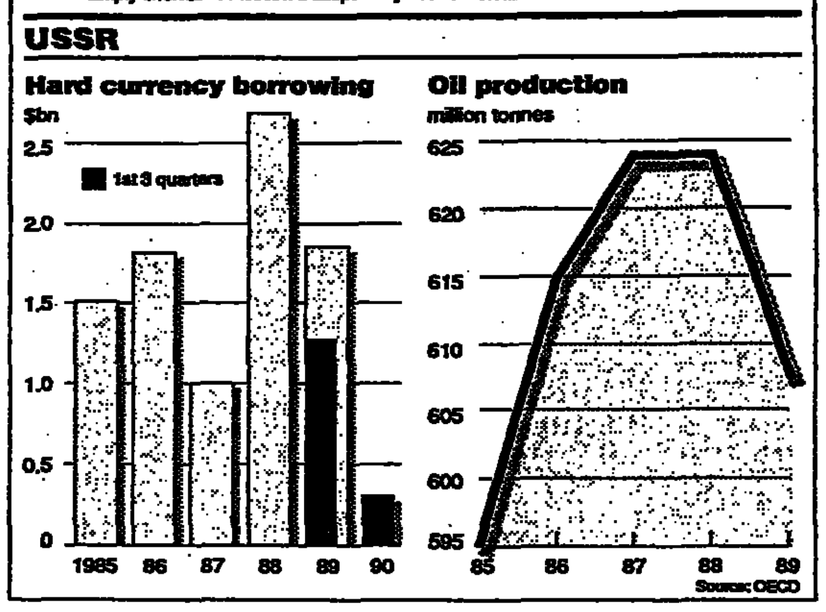
Another reason why Soviet officials have been scouring western – and Middle Eastern – capitals for loans has less to do with a shortage of food than the fact that the Soviet Union has become unbankable so far as most commercial banks are concerned.

The days when the Soviet Union was regarded as a first-class credit risk are over. Exporters without government-backed guarantees are facing long delays in payments on more than $2bn of trade debts, and most commercial bank transactions are limited to export credits linked to organisations such as the UK's Export Credit Guarantees Department and Hermes of Germany. Only Vneshekonombank, the revamped Soviet foreign trade bank, stands out as an island of probity. But the cost of honouring its guarantees has been a $6bn drain over the first half of this year on Soviet hard currency assets held with banks belonging to the Bank for International Settlements.

In spite of much talk of reform and a plethora of confusing, often contradictory and frequently unenforceable legislation, persistent problems such as rouble inconvertibility, uncertain legal protection and lack of a functioning banking system mean that foreign equity investment has also been slow to materialise, though there are a large number of joint ventures on paper.

Moscow has turned to loans from governments and institutions to fill the gap. Germany, grateful to Mr Gorbachev for re-unification of the two Germanys and anxious to ensure the speedy repatriation of Soviet armed forces from former east Germany, led the way with big loans and goods from the Berlin stockpile. On Monday the European Commission proposed Ecu750m in food aid out of the Ecu3.2bn 1991 package of aid and credits for the Soviet Union and eastern Europe.

Empty shelves in Moscow's shops are just one indication of economic breakdown



Europe's contribution follows help from further afield. The Gulf states have promised $4bn in aid and loans, partly in gratitude for Moscow's harder line against Iraq in the Gulf crisis. Cynics expect Japan to loosen its own purse strings next year if Mr Gorbachev shows sufficient flexibility over the return to Japan of the four Kurile islands occupied by the Soviet Union since the end of the second world war.

Whether the Soviet Union will derive any lasting benefit from such largesse, however, remains open to debate. Last week's meetings of EC foreign ministers and Group of 24 western aid donors in Brussels agreed that aid has to be co-ordinated and closely targeted on reforming key sectors of the Soviet economy.

As a result of these discussions EC leaders meeting in Rome are expected to endorse an aid and assistance policy hedged around with maximum conditionality to ensure that loans and aid are used for specific purposes agreed in advance, particularly in the Soviet case.

Definitely out of favour is the idea of creating a large fund, on lines similar to Italy's Cassa per il Mezzogiorno. This initiative was designed to reduce the huge income gap between the north and south of Italy but in practice reinforced and fed the mafia and political clients, perverting investment choices and contributing to Italy's budget deficit problem. These are the sort of problems now facing the Soviet Union on a grander scale.

Currency stability is another new buzz term. With the success of the $1bn Polish currency stabilisation in mind a priority for EC financing is to help both east European countries and the Soviet Union stabilise their currencies and introduce full currency convertibility.

Technical and financial assistance to increase Soviet oil and energy production, raise safety levels in nuclear power generation and help to reduce energy consumption and pollution throughout the former communist bloc are other priorities, followed by help to modernise the food supply and distribution system and transport infrastructure.

Following visits to Moscow by top-level EC, IMF and World Bank delegations in recent weeks, Soviet leaders, including Mr Gorbachev, have placed a new verbal emphasis on the need for a sound currency. However, their support for a sound currency has, in practice, been made questionable by further unplanned increases in the money supply and a real inflation rate approaching 80 per cent and rising.

Longer term, both Moscow and the republics seeking greater independence are banking on becoming members of the IMF and the World Bank.

Membership would re-enforce Soviet compliance with the specific problem-solving approach pioneered by the IMF and now being adopted by western governments and other institutions with the aim of helping the Soviet Union exploit its own resources and areas of wealth more efficiently. By far the greatest resource is energy, especially oil and gas, but reduced military production should also divert minerals – metals, for example – for other uses.

In theory the Soviet balance of payments should benefit substantially next year from the conversion of intra-Comecon trade to a dollar rather than transferable rouble basis from January 1 and also from higher world oil prices.

Estimates of a windfall gain of up to $30bn resulting from higher oil prices and hard currency pricing have to be taken with a large grain of salt, like most statistics and estimates relating to the Soviet economy. But in the longer term both the Soviet Union and eastern Europe should gain from the abolition of the barter arrangements under which the Soviet Union supplied cheap energy and raw materials in return for often shoddy consumer goods which piled up unsold in warehouses.

But the main question remains the capacity of the Soviet economy in its present state to stem the 10 per cent fall in oil production over the past three years and take advantage of current high international prices. The multinational oil companies could help and are competing among themselves for the privilege. They are mainly interested in developing new, especially off-shore, oil fields. But any investment which increased both the Soviet Union's hard currency earnings and enhanced its status as a secure alternative source of energy to the west would fit the sort of mutually beneficial profile which makes sense to both east and west.

The potential scope for tie-ups between western technical and managerial know-how and Soviet resources is the carrot which keeps Moscow hotels filled with western businessmen in spite of the increasing difficulties of finalising deals and getting paid for them. In recent months it has been easier for Moscow to obtain hard currency through appeals to governments rather than to create the legal and other conditions for equity investment in specific revenue-earning projects. That could be a dangerous illusion. In the long run, re-integration into the world economy through foreign equity investment must be more beneficial than piling up debt.

OBSERVER

Dr Hammer's loyalists

■ A top public company which organises its annual general meeting to coincide with its ageing chairman's birthday has to be rather odd.

But what if the same chairman hires a film crew to follow him round the world to record him greeting everyone from the Pope and Prince Charles downwards. Surely the company's shareholders have cause to be more than a little upset, especially if their shares have performed as miserably as those of Occidental Petroleum have over the years.

The strange thing about Occidental Petroleum, however, is that its shareholders loved the company and especially its chairman, Dr Armand Hammer. With the possible exception of the reclusive Leon Hess of Amerada-Hess, 92-year old Hammer was the last of the great characters in the US oil industry.

When predators were riding through the US oil patch in the mid-1980's, Occidental was the one obvious target nobody dared touch. David Murdock, a Los Angeles financier and major Occidental shareholder, threatened to cause trouble. But the good doctor saw him off along with a string of Occidental presidents with whom he did not see eye to eye.

Hammer didn't control a big chunk of the Occidental equity, but he did have a loyal board and a devoted base of small shareholders. In many ways he was akin to Lonrho's Tiny Rowland. It is a recipe which does not appeal to many big institutions but it is the best takeover deterrent invented.

Case rests

■ Hammer's death has deprived the UK courts of probably the biggest and most expensive libel action ever, even bigger it seems than the Tolstoy/Lord Aldington trial.

Peter Carter-Ruck, the libel lawyer, had just issued a writ on behalf of the late Occidental chairman, alleging 157 separate libels by Steve Wienberg, author of Armand Hammer: The Untold Story, and his publishers Random Century.

Three months had been set aside for the hearing due to begin next April before a High Court judge sitting without a jury. Lawyers on both sides had warned their clients to expect total costs of somewhere between £3m or £4m. The action, brought in the UK because of the difficulty which public figures have in proving defamation under the US laws, will now lapse.

The irony is that the Lord Chancellor is currently carrying out a fundamental review of the libel laws. One change being considered is the law preventing victims of libel recovering damages if either the victim or the defamer dies before the case gets to court.

Gap-bridger

■ Another important recruit has been signed up by Minorco, the offshore investment arm of the Anglo American Corporation of South Africa which is gradually transforming itself into a hands-on, operational natural resources group.

Gerard Munera has been taken on as chief executive of Minorco USA, the holding company recently set up to oversee the Luxembourg-based group's interests in the States.

Apart from long experience in the mining and metals business, Munera, 54, also bridges the culture gap between Europe and America. He was born a Frenchman (in Algeria, actually) but became a US citizen in the early 1980s when he was chief executive of Pechiney's subsidiary, Howmet Aluminium, in Connecticut.

Since 1985 he has worked

"He's searching for the rest of his electricity share allocation."

in Paris at Pechiney's headquarters, in Brussels as chief executive of Union Minière and in London, for just over a year, with the RTZ Corporation. Now moving to Denver, he is particularly pleased to be back in the States where his four children live.

He says his new role will be similar to the one he had at RTZ: developing a long-term strategy for Minorco in North America. Munera has some room for manoeuvre because, unlike many companies, Minorco is not short of financial resources. Even after spending $705m to acquire Freeport McMoRan's gold company (now renamed Independence Mining) last year, Minorco still has $1.8bn cash.

Forewarned

■ When president Chadli Bendjedid of Algeria meets president Saddam Hussein he will be under no illusion that he can afford to turn his back. Though they've never admitted as much in public the Algerians know it was Iraq that shot down the plane carrying their then minister of foreign affairs, Mohammed Benyahia as it flew from Baghdad to Tehran in 1982.

The "accident" claimed the lives of one of the most talented group of diplomats any third world country could line up. Benyahia and his team of his advisers were busy shuttling between the two capitals in one of many vain attempts to negotiate a ceasefire between the two Middle East countries.

Any old hat

■ The strange things some executives do to celebrate a transaction.

Just as soon as Bill Castell, 43-year-old chief executive of Amersham International, has completed the sale of Amersham's clinical diagnostics business to Eastman Kodak this morning, he will be hotfooting it round to London's Jermyn Street to buy a new hat. In fact he will be buying two hats, one for himself and one for his opposite number at Kodak.

This rather odd behaviour began when Castell did his first deal at Wellcome. Since then he has collected seven celebratory hats and now owns close to three dozen head pieces. He prefers to thank his business partners this way rather than sending round the more usual smoked salmon or caviar.

"I interpret their characters by the foolishness of the hat I buy", says Castell.

Absent friends

■ With Israel's holiday industry hard hit by the Gulf crisis, a man on a bus there showed his son seated beside him a newspaper headline: "Tourists see Martian in Tel Aviv."

The little boy grinned. "That doesn't fool me, Pop," he said. "There's no such thing as tourists."

Champions enter lists for Emu

As European leaders prepare moves towards economic and monetary union, Martin Wolf analyses disputes over its timing and its costs and benefits

The inter-governmental conference on the European Community's plans for economic and monetary union is to begin this weekend. Among the most important battles will be between those who want timetables for Emu, never mind convergence, and those who want prior convergence, never mind timetables. The outcome is likely to be a multi-speed move to Emu.

The most recent round in the battle came in Rome at the meeting of the European Council of October 27-28 1990. At that meeting two dates were agreed:

- January 1 1994, when "the second phase [of Emu] will start"; and
- "at the latest within three years from the start of the second phase" when "the Commission and Council of the monetary institution will report . . . on the functioning of the second phase and in particular on the progress made in real convergence, in order to prepare the decision concerning the passage to the third phase, which will occur within a reasonable time".

This was an honourable draw. A precise date has been given to an ill-defined stage on the journey and an imprecise date to a clearly-defined stage.

But what is the battle all about? Like most vigorous debates over economic policy, it is at least as much about power as about economics.

On Emu, Germany is the status quo power. The Bundesbank, as guardian of the European key currency, has what the others want: the power to set its own monetary policy. Unsurprisingly, therefore, Mr Karl Otto Pöhl, the Bundesbank president, told the House of Lords Select Committee on the European Communities that "I do not need a European Central Bank. The Bundesbank is good enough for me."[1]

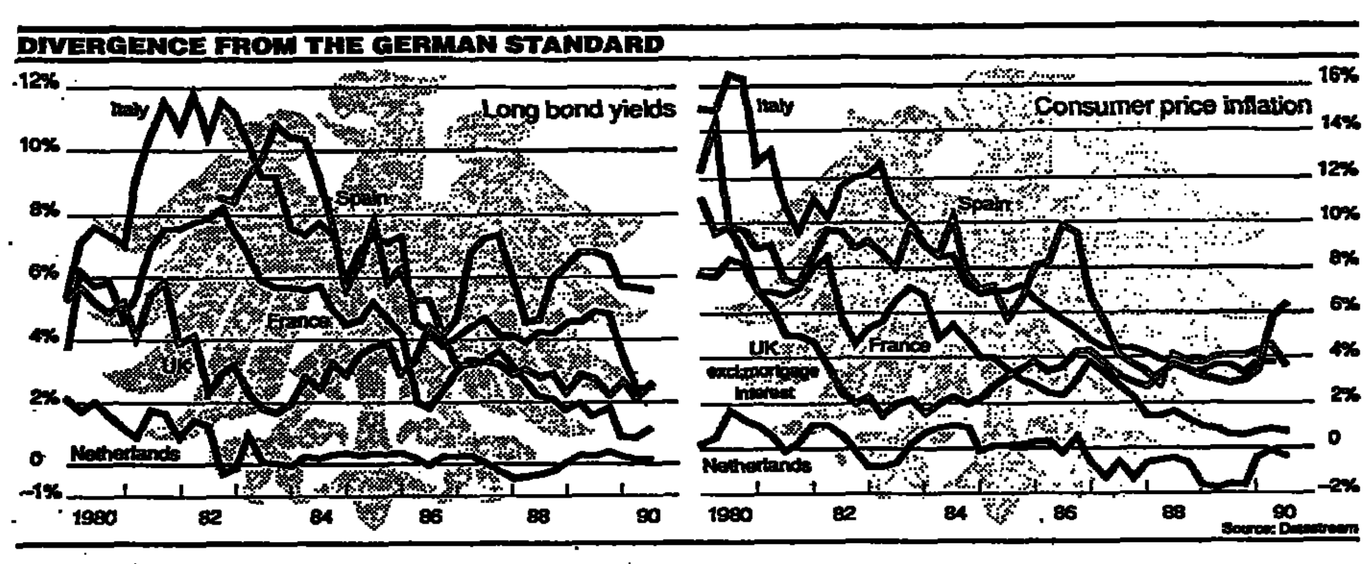
Others are less happy. For them the choice is between Bundesbank domination and a single currency that, however like the D-Mark it might turn out to be, would at least be subject to the influence of some of their nationals.

The German government recognises that its partners are unlikely to tolerate the present degree of German influence forever. Emu, it accepts, is a price it may have to pay. But it wants to make that price both as small and as long delayed as possible. Accordingly, it tends to support the Bundesbank's tough conditions, prior economic convergence being among the most important.

What does the Bundesbank want and why? In its September 1990 paper on Emu the Bundesbank insisted that "the economic and institutional conditions for the commencement of the final stage of the monetary union . . . can be fulfilled only in the course of a lengthy transitional process . . . The transition to another stage . . . should be made solely dependent on the fulfilment of previously-defined economic and economic policy conditions, rather than on specific timetables."[2]

The Bundesbank's economic justification was that "an early irrevocable fixing of exchange rates and the transfer of monetary policy powers to Community institutions would involve considerable risks to monetary stability . . . Furthermore, widespread additional calls for compensatory public financial adjustment would be very likely, especially from the countries of southern Europe."

Against this, the Commission, in its contribution to the forthcoming inter-governmental conference on Emu, calls for both a short transition and one governed by precise timetables. An important argument for speed is that "the period ahead contains risks of instability due to the gap between the achievement of financial integration . . . and the completion of monetary union".[3]



Michael Emerson, a senior Commission economist, says "the alternative to progress is regress".[4]

The arguments have plausibility. Now that exchange controls have been eliminated, maintaining ERM parities that are subject to doubt might require interest rates to vary considerably and sometimes to reach very high levels. Current divergent economic conditions within the EC increase the risk of speculative attack. The union of Germany has contributed to a rise of about 3 percentage points in German bond rates and an increase in the German fiscal deficit, now widely expected to be 5 per cent of gross national product next year and for several years thereafter. The German economy is also booming, with growth of 5.5 per cent in the year to the third quarter of 1990.

Meanwhile, the rest of the EC is slowing down or, as in the case of the UK, is already in recession. The French economy grew by only 2.2 per cent in the year to the second quarter. France has managed to lower short-term interest rates slightly, against the contrary German trend. But, at almost 10 per cent in nominal terms, French short-term interest rates remain very high in real terms. The resultant political pressures tend to undermine the credibility of the exchange rate and thereby increase the costs of defending it.

THE DELORS REPORT'S STAGES TO EMU

- **STAGE ONE:** *universal membership of the exchange rate mechanism of the European Monetary System and completion of the internal market, including abolition of all exchange controls.* Stage One began formally in July 1990.
- **STAGE TWO:** *entry into force of a new treaty of economic and monetary union and establishment of the European System of Central Banks.* Subject to certain conditions, Stage Two is now supposed to begin in January 1994.
- **STAGE THREE:** *transfer of full monetary and economic competences to Community institutions, irrevocably locked exchange rates and a change-over to a single currency.* Movement to Stage Three is now to be considered within three years of the move to Stage Two.

The risk of instability is genuine, but it hardly presents a decisive argument for haste. Adoption of a single currency is a serious step. Countries should discover, in advance, whether they are prepared to stand the economic heat. If not, they should stay out of the German monetary kitchen.

The argument for a strict timetable is that, as Mr Jean-Claude Trichet, the French *Directeur du Trésor*, told the House of Lords Select Committee, convergence would then be a consequence of monetary union rather than a prerequisite. Similarly, the Commission's study of Emu claims that "there is a strong economic case for setting fixed and credible timetables to spur convergence and encourage anticipatory adjustments on the part of government and businesses".[5]

Yet the least one might expect from governments desirous of Emu is that they try to achieve convergence without having a gun put to their heads. Furthermore, what if a timetable has been set and, on the day, adequate convergence has not been achieved?

Given the German desire for prior convergence and the strong preference of some of the others for swift movement, a multi-speed Emu seems unavoidable. Such a multi-speed movement is likely to be incorporated into the Emu treaty. The Rome communiqué already provided for this: "The Treaty may lay down transitional provisions for the successive stages of economic and monetary union according to the circumstances of the different countries."

However logical, a multi-speed move to Emu would create something of a crisis for three of the EC's larger member countries – Italy, Spain and the UK.

Neither Italy nor Spain is likely to achieve a reasonable degree of convergence on the German standard in the near future. Italy, in particular, retains a budget deficit of more than 10 per cent of GNP and an annual inflation differential *vis à vis* Germany that has remained almost unchanged, at around 4 percentage points, since 1987. Spain, is even further from achieving convergence, not least because of its high rate of unemployment.

It is no surprise, therefore, to find Italy pushing for timetables, without clear conditions for convergence. But the Italian bluff must be called. If the core countries – Germany, France, the Netherlands, Belgium, Luxembourg and perhaps Denmark and Ireland – resolve to go ahead soon, Italy would be faced with a real deadline, which would provide a genuine test of whether timetables breed convergence.

The UK also has problems of economic divergence, notably in inflation. But the UK has a political problem as well. It wishes to avoid being in Emu's second tier, but is equally unwilling to accept the goal of a single currency. The UK's proposed solution has been the Treasury's "hard Ecu" plan.

The advantage of the plan for the UK is that it adds a common EC currency that might become a single currency, but would not be adopted in a "big bang".

The disadvantage of the plan is that, even if technically feasible, it meets none of the objectives of the other major players. The Bundesbank regards all parallel currencies as potentially compromising its ability to manage the D-Mark. Most of the others regard the "hard Ecu" with equal suspicion, partly because of its provenance, but also because it might add to exchange rate instability rather than reduce it and, in practice, reinforce the Bundesbank's hegemony rather than undermine it.

What then should be expected in the IGC on Emu? Presumably, the treaty will allow the establishment of a European central bank, to manage a European currency. It will permit member countries to adopt the new currency at times of their own choosing, subject to conditions that they would need to meet. The new currency would, therefore, not be – indeed, could not be – imposed. But, at the same time, no member country could stop others from adopting it.

No definitive date for movement to Stage Three is likely to be agreed at the IGC, since economic conditions would have to be met as well. There will, however, be an effort to fill the hitherto empty shell of Stage Two. Here a hardening of the Ecu – not permitting it to depreciate against any currency in a realignment – and the establishment of the European Central Bank might, taken together, put a figleaf on the nakedness of the British government.

None the less, since the Bundesbank is adamant that responsibility for monetary policy is indivisible, Stage Two is never likely to amount to much. The Bundesbank will defend its autonomy, until it is required to hand over to what it has accepted as a worthy successor. So any second stage will, in practice, either be a "one plus" or a "three minus".

Above all, if the third stage is to come soon – or even any time this decade – only a select few are likely to get aboard. There will either be a multi-speed move to Emu or no move at all.

Lessons from the German experience

SINCE German economic and monetary union (Gemu), industrial output in east Germany has declined by half. The five leading German economic research institutes forecast that under-employment and unemployment will rise to some 40 per cent of the east German labour force. They also expect east German Gross Domestic Product to decline by 16 per cent this year and by another 10 per cent in 1991.

Look, Mr Karl Otto Pöhl points out, at what has happened to east Germany. Emu would be different, but would it be different enough?

Gemu involved:

- an instantaneous move to free trade;
- integration of two hitherto separate pools of labour and capital; and
- monetary union.

Differences in output per head do not explain the economic collapse in east Germany. Countries with different levels of productivity can trade readily with one another, depending only on differences in comparative advantage. Nevertheless, the move to free trade has made hitherto overpriced, low quality east German goods unsaleable. Meanwhile, activities that are profitable under free trade take time to expand.

Adjustment to free trade has been made more difficult by the integration of the labour market. In an integrated labour market real wages for workers with comparable skills cannot be very different. In a competitive market economy, east and west German wages should converge. But west German real wages ought to fall, at least relative to trend, as east German wages rise. Many more job opportunities would then be opened up in the German economy.

Unfortunately, redundant east German labour has little capacity to drive down west German real wages. Consequently, wage levels in east Germany need to remain well below those in the west for some time. In practice, wages in east Germany are being pushed upwards, both by the trade unions and by generous social security provision.

Given these pressures, the terms of monetary union are of little importance. A lower conversion rate would have set the initial level of real wages in east Germany at a more competitive level. But it is unlikely that this would have offered more than a temporary respite.

What then does Gemu tell about the prospects for Emu? The EC is already a free trade area. Moreover, the EC's labour market would, in practice, be nothing like as integrated as that of Germany. Finally, in the case of Gemu an arbitrary exchange rate was imposed, while in Emu exchange rates would not be fixed until after some years of experience.

The obvious parallel would be the labour market. The transparency created by a single currency might influence wage bargainers to push for EC-wide norms. That danger could be exacerbated by the imposition of northern European labour standards on the poorer countries of the south, via the Social Charter.

In short, Emu has dangers and Gemu provides warnings, especially over policy towards the labour market. But the two are different. Experience with Gemu is not a decisive objection to Emu.

A political project which must be judged on economic merit

Is economic and monetary union of the European Community economically beneficial? What powers might be transferred to EC institutions as it comes into effect? These are the two fundamental questions raised by the plan for Emu.

On the first, the EC Commission has claimed, in its submission to the inter-governmental conference due to start at the end of this week, that "the member states and the citizens of the European Community will only fully benefit from the positive effects of the creation of the large common market and co-operation if they can use a single currency – the ecu"[3]. On the second question, the Commission argues that "to be fully effective, Emu requires a qualitative institutional jump which will bring the Community considerably nearer to a political union."

Opponents of Emu agree on the latter. Indeed, they go further. Mr Nigel Lawson, the former chancellor of the exchequer, has argued that "bluntly, I do not see how a single European currency, managed by an independent single European central bank can make practical sense unless it is matched by a single European finance minister and Finance Ministry, and thus a single European government: in other words the creation of a United States of Europe."[6]

Before asking whether Mr Lawson is right on the implications, one should ask whether the Commission is right on the benefits. A tome of 347 pages contains the Commission's case.[5] In the end, to nobody's surprise, it finds that Emu is good.

The Commission argues that Emu would provide the following main benefits:

- elimination of the exchange risk premia that are embodied in interest rates within the exchange rate mechanism;
- price stability;
- disinflation at lower economic cost;
- elimination of foreign exchange transaction costs, said to account for about ½ per cent of EC gross domestic product;
- reduction in country-specific economic shocks, as economies become more integrated;
- enhanced financial integration and so superior adjustment to shocks;
- creation of a major new international currency; and
- improved global economic co-ordination

Against this are two costs:

- loss of the exchange rate instrument and independent monetary policy; and
- loss of monetary financing of budget deficits and of seigniorage (the revenue generated by the issuance of money);

The Commission argues that the net benefits are overwhelmingly positive, despite the contrary conclusion implicit in the older theory of "optimal currency areas".

Is all this no more than special pleading, or does the Commission have the case it says it has? The most important weakness is the Commission's presumption of "sure advantages as regards overall price stability"[3]. This cannot be assumed. The overall price performance of the EC might well be worse under the proposed arrangements than under the Bundesbank-led ERM of today.

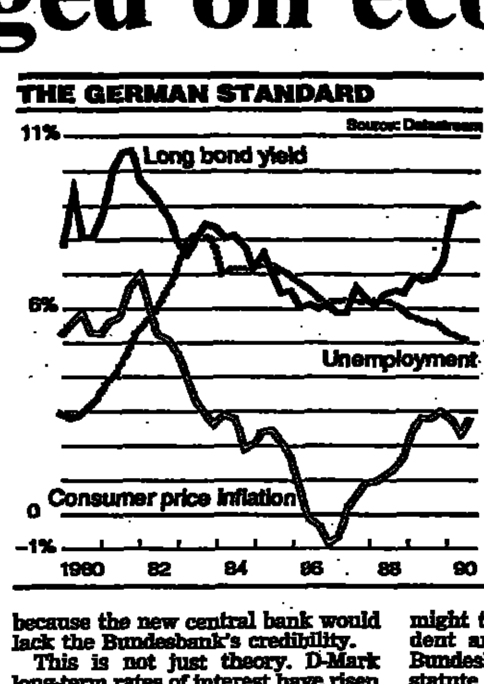
The Bundesbank has not been successful merely because it is independent, but also because it builds on Germany's historically-induced fear of inflation, a fear that other member countries lack. Consequently, the best Emu would almost certainly consist of currency boards based on the D-Mark.

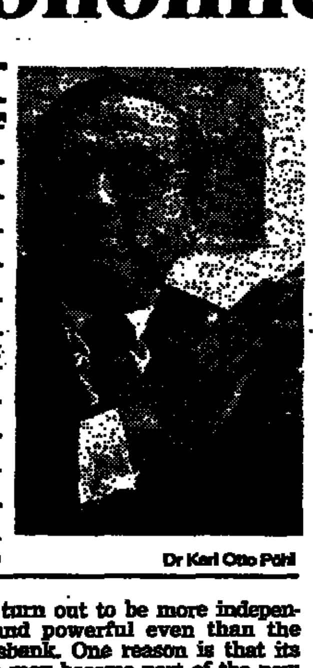
The main reason for believing that the new money would be worse than the old is that a desire to influence the Bundesbank's monetary policy has been among the main justifications for Emu. Do those who propose it wish to influence that policy in a still more disinflationary direction?

The Bundesbank has been successful because it builds on Germany's historically-induced fear of inflation

To ask the question is to answer it.

Doubts about the assumption of superior price performance threaten the Commission's case. It argues, for example, that rates of interest would fall in countries with historically high inflation once the exchange rate risk is eliminated. But this is likely to coincide with an increase in the overall inflation risk premium, because the new central bank would lack the Bundesbank's credibility.





Dr Karl Otto Pöhl

This is not just theory. D-Mark long-term rates of interest have risen by three percentage points since 1987. Has German economic and monetary union alone had so dramatic an effect? Part of the reason for higher German rates of interest may well be the prospect of Emu.

Improved EC monetary performance would be by far the most important single gain from Emu. Foreign exchange transaction costs are trivial by comparison.

What are the likely consequences of Emu for the distribution of powers between the member states and the EC? The principal powers at issue are those of monetary and fiscal policy. Transfer of the former is a necessary consequence of Emu; transfer of some of the latter is a possible consequence of Emu.

If the German view prevails, the new central bank would have sole responsibility for EC monetary policy. It would be operationally independent in its pursuit of price stability and all members of its board would be independent of national governments.

In practice, the new central bank might turn out to be more independent and powerful even than the Bundesbank. One reason is that its statute may become part of the new Treaty; in addition, the Bundesbank faces a powerful national government, while the European central bank would face only the committee of finance ministers, Ecofin, and a weak European Parliament. Furthermore, it would become the only central bank in the EC.

Emu would, however, also entail collective decisions over EC exchange rate policy and exchange reserves. On the Commission's proposals, exchange rate policy would be the responsibility of Ecofin, subject to advice from the European central bank.

Were an inappropriate fixed exchange rate to be imposed on on the European central bank, the latter's statutory commitment to price stability could be undermined. For this reason it would seem that the European central bank would require a veto over exchange rate policy, so leaving Ecofin with very little power.

This is only a part of the problem. The Commission hopes that the EC would play a role in the design of the international monetary system. But it is far from clear how a committee of finance ministers could negotiate with the US or Japan over exchange rates. There would, presumably, have to be one European negotiator. But who is that negotiator going to be? How could he be prevented from entering agreements that threaten EC monetary policy?

The longer-term implications of Emu may also include progressive shifts of fiscal powers to EC bodies. Four issues arise: control over member country fiscal indebtedness; co-ordination of discretionary fiscal policy; control over the structure of taxation; and inter-regional fiscal transfers.

The Commission proposes that monetary financing of public deficits and bail outs should be eliminated in the Treaty. The question is whether this "no bail out" principle could be made credible. Italian public debt is almost 30 per cent of the total public debt of EC member states. Willingness to allow default on so much ecu public debt must be doubted. No wonder the Bundesbank wants "contractual arrangements (including binding rules and sanctions) to ensure effective budgetary discipline in all member states"[2].

Co-ordination of discretionary fiscal policy should be less controversial. Here the Commission merely proposes improved policy guidelines and surveillance, with minor sanctions.

The EC would possess none of the adjustment mechanisms of the US. One must hope they would not be needed

Far more contentious is control over tax structure. The Commission proposes majority voting over tax structures. Such control would not be a necessary consequence of Emu; it is related more to the single market programme. But it is clear why countries that levy high taxes on capital, on corporations and on consumer expenditures would want this change.

Finally, experience in the US shows that substantial regional shocks can occur within a long-standing economic and monetary union. But, as Barry Eichengreen notes of the US, "together tax and transfer adjustments eliminate as much as 40 per cent of the decline in regional incomes"[7].

Nothing like this is available in the EC. Nor, unfortunately, are other adjustment mechanisms, apart from the exchange rate. Nominal wages are stickier in the EC than the US, a severe problem when the overall level of inflation is expected to be very low. Equally, inter-regional migration is smaller in the EC than in the US and, given cultural and linguistic differences, is likely to remain so.

In short, the EC's Emu would possess none of the adjustment mechanisms of the US. One must hope that the Commission is right that they would not be needed; but one must also expect that there would be irresistible pressures, in practice, for substantial inter-regional transfers.

The economic benefits of Emu remain speculative. The ultimate effects on the distribution of power between the member states, on the one hand, and the EC as a whole, on the other, are likely to prove substantial. Emu is a political project, as the Commission states. The question for the participants is whether this a political project with desirable economic consequences, or not.

[1] *House of Lords Select Committee on the European Communities, Economic and Monetary Union and Political Union, London, HMSO, October 1990).*
[2] *Statement by the Deutsche Bundesbank on the establishment of an Economic and Monetary Union in Europe, Frankfurt, September 1990.*
[3] *Commission of the European Communities, Economic and Monetary Union, Brussels, 21 August 1990.*
[4] *Michael Emerson, "The Economics of Emu," in Britain and Emu, Centre for Economic Performance, London School of Economics, 1990.*
[5] *Commission of the European Communities, "One Market, One Money: an evaluation of the potential benefits and costs of forming and economic and monetary union", European Economy, October 1990.*
[6] *Nigel Lawson, Rules versus Discretion in the Conduct of Economic Policy, Stamp Memorial Lecture. London, 26 November 1990.*
[7] *Barry Eichengreen, "Currency Union", Economic Policy, April 1990.*

The case for Europe at two speeds

"I don't want a two-speed Europe," asserted Mr John Major in an interview with the FT just before his elevation. "I think a two-speed Europe is unequivocally bad for Europe, and I find it extraordinary that people who hold themselves out to be the most communautaire members of the Community are those that would go ahead on their own and create a two-tier Europe."

Why should a "two-speed" Europe be such a nightmare, especially when the EC has been on two monetary speeds ever since the exchange rate mechanism was set up?

The concerns seem to fall into two categories: that the UK would ultimately find itself a member of a club in the makings of whose rules it had little, if any, say; and that the UK will bear costs for as long as it is not a participant in the new monetary arrangement.

Neither objection carries much weight.

Not to participate in the framing of a set of rules is costly only if such participation might have made them less onerous. From the British point of view, little in the Rome Treaty is objectionable, except for the benighted common agricultural policy. With that exception, therefore, it is of little importance that the UK was not one of the original drafters of the treaty.

Groucho's club

Happily, Emu is not like the Cap. The fundamental aim of a treaty on Emu is the establishment of an independent European central bank whose main goal will be price stability. This is precisely the rule that the UK should want this club to have. Fortunately, the Germans will argue for it successfully without UK assistance. The danger is that the UK would, instead, try to replicate its own disastrous monetary arrangements. But, as Groucho Marx would have said, the UK should not wish to join a monetary club whose membership rules it has had a hand in writing.

What then might be the costs of not being a founding member in the new arrangements? Three are widely discussed:

- damage to UK from not having a "seat at the top table";
- damage to the City from the establishment of a European central bank in which the UK is not a participant and;
- damage to the economy.

The first is unimportant. The main interest of the British people is that the new European money be of a high quality. There is little evidence, alas, that a Briton on the board of the European central bank will add to its ability to achieve this.

Little more sympathy should be given to the concerns expressed about the future of the City. The City has thrived on the movement offshore of the over-regulated financial markets of big economies. Since the Bundesbank has never concealed its view that financial engineering should be firmly subordinated to nuts and bolts, the City might well be better off inside the single market, but outside Emu. Moreover, the interests of the City are, in any case, not necessarily those of the British economy as a whole.

Obtaining credibility

Finally, costs of exclusion depend on what one is excluded from. Costs were, indeed, imposed on the UK economy by its exclusion from the EC customs union. But to have been excluded from the common agricultural policy would have been a boon.

Is Emu like the customs union or the Cap? It is like neither. If the UK's neighbours were to establish among themselves a high-quality currency, the UK would be no worse off, any more than Germany's neighbours have been adversely affected by the existence of the D-Mark.

Naturally, the UK might be still better off if sterling were linked to the new currency via an arrangement like the ERM. Alternatively, the new EC currency might be made the basis of a sterling currency board, as the US dollar is for the Hong Kong dollar.

Full participation in Emu might be a still better way of obtaining credibility for the sound money policy that the government claims it wishes to pursue. If the government believes, for this reason, that membership of the currency union would be beneficial to the UK, it should join as soon as possible. If it does not believe that, it cannot reasonably complain about the desire of other EC members to adopt a policy they think beneficial to themselves.

FINANCIAL TIMES
Wednesday December 12 1990

DEBATE OVER EC AID

A programme in need of a united effort

Mr Jacques Delors, president of the European Commission, yesterday said EC co-ordination over the Gulf crisis was prototypical of the unified foreign policy that political union would bring, writes David Gardner in Strasbourg.

He told the European Parliament that the EC response had been "a life-sized model of how political union might work, the sort of thing that will be discussed at the inter-governmental conference" in Rome next week.

He endorsed the initiative of Mr Gianni de Michelis, foreign minister of Italy, which holds the presidency of the Council of Ministers, in securing a meeting with Mr Tariq Aziz, the Iraqi foreign minister.

This meeting is expected to take place in Rome, on Mr Aziz's way back from Washington and his meeting, possibly next week, with President Bush.

THE European Community has been playing band leader in the western "salvation army" mobilised for eastern Europe, but is now worried that others are not following its lead.

Brussels is by no means shirking the aid co-ordination role conferred upon it 18 months ago by the leading industrialised countries. EC officials went to Moscow yesterday to spell out plans for short and medium-term aid for the Soviet economy which, together with similar plans for east Europe, will be the main topic for discussion at Friday's EC summit in Rome.

The Community is keen to earn maximum political credit in the east by being the first and foremost to help in this time of economic need. But it is also beginning to realise that it may be tackling more than it can cope with on its own.

On the macro-economic side, EC governments agree with the Commission that any programme to help the Soviet Union with its balance of payments and convertibility of the rouble should be left to the International Monetary Fund (IMF), which Moscow should be encouraged to join. Their desire to commit the Community to a big open-ended programme for the Soviet Union is blunted by the fact that they have themselves offered Ecu18bn ($24.6bn) in aid.

Most EC states have also rejected a Commission idea to create a general financing facility for eastern Europe. This was seen as competing and possibly conflicting with the IMF's functions there. Instead, financial support is to be tailored to individual east European countries' needs. The region's financing gap, according to Commission/IMF figures, will be Ecu4bn next year.

A start is to be made by helping to provide Czechoslovakia with Ecu700m to support its efforts to make the koruna convertible early next year. The aim is to repeat the success of the Polish stabilisation fund, to which all members of the Group of 24 aid donors contributed. Indeed EC finance ministers said this week they also wanted to tap oil-enriched

Eastern Europe's 1991 Funding Gap

	(Ecu bn)
Bulgaria	3.2
Hungary	1.7
Poland	4.0
Romania	2.0
Czechoslovakia	2.5
Yugoslavia	0.6
Total	14.0*

*Reduced by committed western help to net Ecus 4bn

rich Arab states, (energy being the main cause of east Europe's financial problems).

A similar Ecu500m currency fund is planned by the G-24 for Hungary. However, the EC is anxious to avoid a repeat of its Ecu870m loan to Budapest. Floated at the start of this year with minimal consultation with the G-24 partners, the loan attracted no subscriptions from other western countries.

On the micro-economic side, the most important issue is food aid for the Soviet Union. The EC's Brussels executive has proposed to give Moscow Ecu250m of food as a gift, and let it buy another Ecu500m worth on credit.

Finance, rather than EC stocks is the constraint. Some EC finance ministers say it would be better, or more honest book-keeping, to give it all as grant. Whatever the financing mix, it seems likely that EC leaders will agree to sizeable food aid, and that this will come near to breaching the current EC budget guidelines.

They will, however, want to guard against being made to seem foolish by food ending up in empty rail sidings or in the hands of Soviet racketeers. Poland's distribution system last year provided a salutary lesson when it started to ship food back to the Community at near-dumped prices. One option is to use Finnish trains which, being on the same gauge as the Soviet one, could run deep into the Soviet heartland.

An easier task, because of the smaller scale, will be the distribution of the Ecu100m worth of food grants that the EC is now contemplating considering giving Bulgaria and Romania. Even here though, there may be problems. When Romania was offered EC food aid earlier this year, it undertook to pick it up direct from EC stores. But a large consignment of olive oil in Italy has been awaiting Romanian trucks since July.

Less controversial but perhaps more questionable, is the Ecu400m that Brussels proposes to give Moscow in technical aid next year, rising to Ecu600m in 1992. However, UK officials query whether, even given the Soviet Union's needs in transport, food storage/distribution and telecommunications, it could absorb so much so soon. They contrast this with the proposal for only Ecu50m a year for Soviet energy development, a hard currency earner of mutual interest to western companies.

There is still much work to be done before the west's salvation army band marches to an agreed tune.

THE LEX COLUMN

The shocking price of electricity

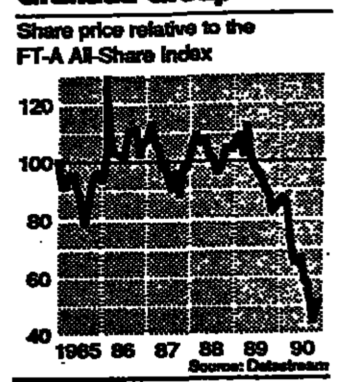
In one sense, the outcome of the electricity flotation is not as dire as it looks. The average closing premium of over 50 per cent on the partly paid price is plainly embarrassing for the government. But from the viewpoint of the taxpayer, there are still two 70p payments to come on top of the initial 100p. Discount that to present value and electricity has been sold for only some 20 per cent less than its market value. Not so bad, though bad enough.

The high volume of turnover yesterday – something close to 20 per cent of the issue – seems better news for the brokers than for the stags. The faster the transfer from individuals to institutions is achieved, the sooner the price drops to its natural level. As a means of annoying that part of the electorate which applied and still does not know its allocation, the whole process looks unimprovable.

Amid all this, the process of capital raising through the equity market has been distorted out of recognition. An older tradition in the London market said an issue was fairly priced if it was five times oversubscribed and opened at a 10 per cent premium. Perhaps even that was too greedy. Invergordon Distillers, the Scotch whisky producer floated back in April, was oversubscribed by just 6 per cent, opened bang on the subscription price and has since outperformed the market by 8 per cent. In any normal commercial transaction that would count as good value for all concerned. The previous owners of electricity should be so lucky.

Granada Group

Share price relative to the FT-A All-Share Index



Source: Datastream

Occidental

Dr Armand Hammer's Occidental Petroleum has always been the one big player in the US oil patch to have missed out on the great restructuring of the 1980s. Remember T. Boone Pickens, who chased Gulf Oil, one of the Seven Sisters, into the arms of Chevron? Most of the smaller asset-rich oil companies in the US were pursued by similar predators under the once proud banner of maximising shareholder value. The climate for this kind of financial engineering is much more hostile now. But Occidental, with a market value of $6bn, still sticks out as a company badly in need of attention.

Now yielding 12 per cent, its shares have underperformed the market by 80 per cent since the start of the decade. It has been years since its earnings last covered its $2.50 per share dividend. Despite all too frequent equity issues, its $8bn of debt is costing close to $1bn a year to service. Given the current problems of the US banking system, Occidental will probably be spared the immediate attention of the predators. Meanwhile, the optimists can point to the case of Paramount, né Gulf and Western, which went from strength to strength after its founder, Charles Bluhdorn, died in 1983.

Stores

It was a bad day for the UK stores sector yesterday. Boots, Kingfisher and Dixons fell 4 per cent, Ratners and Storehouse by 6 per cent and Next by 13 per cent. It is perhaps unsurprising that the market's second-best performing sector this year is suffering from nerves with the approach of Christmas. Monday's retail sales figures showed that for volume in the crucial month of December to equal last year's, it would have to jump by 2.2 per cent from the November level. Anecdotal evidence suggests the reverse. Another couple of snowbound Saturdays would be disastrous. Nor does it help that so much consumers' cash is tied up until after Christmas in the electricity flotation.

In addition, the market has pretty well lost its earlier confidence in a base rate cut for Christmas. How much a half point off rates would do for real expenditure is an open question. It would certainly do wonders for market sentiment. The suspicion remains, however, that the market is still prey to the fallacy that the troubles of the stores sector are the fault of too little demand. The real problem is more basic: an industry suffering from a degree of overcapacity and a cost base wholly at odds with normal trading.

Granada Group

After Mecca Leisure, Brent Walker *et al*, not to mention the rocky state of the Carlton and Rank share prices, the theory that leisure companies are safe, recession-resistant investments can be declared officially dead. Where Granada Group is concerned, the stock market has already taken the point, as demonstrated by the 9 per cent-plus yield on the shares. The real question is whether there is anything to play for in the notion of Granada as a recovery stock, after yesterday's poor annual results showing earnings per share down 25 per cent.

On historical grounds the answer would be yes, given the continuing market dominance of its UK television rental business and the fundamental soundness of Granada TV, with its Manchester cost base, 13 per cent trading margins and *Coronation Street*. The negative, apart from the still slow pay-off of strategic ideas like its computer services business, is simply its £436m of debt, which is not going to fall fast and could well delay the profits recovery well into the 1991-2 financial year.

Union Discount

The Brierley group's sale of its 28 per cent stake in Union Discount, at what looks like a book loss of about £2m, is a minor landmark in City history. Brierley Investments bought most of the shares between Big Bang and the 1987 crash, when debt-financed Australasian raiders were putting into play British financial institutions as diverse as Hill Samuel, GPG, Equity & Law, Morgan Grenfell, Commercial Union and Pearl. With the Union Discount stake gone, the last of these situations has unwound itself and the shadow of the Antipodean arbitrageur has lifted from the share registers of the UK's financial sector; probably forever, in view of the deep malaise in the banking system down under. But while they lasted, the Australasians did more than anybody else in recent times, with the possible exception of Mr Cecil Parkinson and Sir Nicholas Goodison, to open up City institutions to foreign takeovers. Whether one approves or not, the Australasian arbs will merit a chapter in the financial history books.

Bush assures Shamir over Gulf resolution

By Lionel Barber in Washington

PRESIDENT George Bush yesterday promised Mr Yitzhak Shamir, the Israeli prime minister, that the US would not try to resolve the Gulf crisis at Israel's expense.

After a two hour meeting at the White House which appeared to smooth over relations between the two leaders, Mr Shamir said he had won assurances that the US would not link Iraqi withdrawal from Kuwait to the fate of Palestinians in the occupied territories.

Mr Shamir also delivered a strong plea to Mr Bush to offer substantial assistance to help Israel settle the continuing flow of Jewish immigrants from the Soviet Union. However, the Israeli leaders gave no specific numbers and Mr Bush offered no commitment in return.

Mr John Kelly, US assistant secretary of state, broadly confirmed the Israeli account of the meeting, which he described as friendly with a good exchange of views. "There was a strong identity of views that Iraqi aggression must not succeed," he said.

On November 30, the Bush administration announced it was opening direct talks with Baghdad in a bid to persuade President Saddam Hussein to withdraw his troops from Kuwait before the United Nations-imposed deadline of January 15.

Washington's abrupt shift – compounded with Israeli concern about the newly minted US-Arab coalition against Iraq – stoked fears in Jerusalem of a deal which would avoid war but which could pose a threat to Israeli security.

After yesterday's White House meeting both sides appeared anxious to reaffirm Israel's traditional position as America's closest ally, retaining a "qualitative military edge" over its Middle East neighbours.

Mr Shamir reassured Mr Bush that Israel would continue to keep a low profile in the Gulf crisis.

In diplomatic code this means that Israel does not intend to launch a pre-emptive strike against Baghdad. Mr Bush made clear that the US "could not but react" to any Iraqi attack on Israel, according to Mr Kelly.

Despite the positive gloss on the White House talks, US officials acknowledged that relations between the US and Israel have deteriorated steadily over the past 18 months as the Bush administration has grown frustrated over the Likud-led government's intransigence in opening talks with Palestinians.

After the Israeli army killed 20 Palestinian demonstrators and wounded almost 150 others near the Temple Mount in Jerusalem, Mr James Baker, US secretary of state, accused the Israelis of "playing into the hands of Saddam Hussein".

Mr Bush demonstrated his desire to improve relations by deliberately not raising the Temple Mount affair, or Israel's opposition to the US-backed UN resolution condemning the killings during the meeting yesterday.

Mr Kelly said that the two leaders discussed ways to "reinvigorate" the peace process in the Middle East, but only in general terms.

Albania to legalise opposition parties

By Our Foreign Staff

ALBANIA'S ruling Communist Party last night said it would permit opposition political parties as it moved to purge hardliners from its own politburo.

The dramatic shift within Europe's last orthodox communist state came during a third day of anti-government student demonstrations in the capital, Tirana.

A party statement, read during the main evening radio news bulletin, said that the central committee had decided to relieve five members of the 11-man politburo of their functions and sack two of the body's candidate members.

It also called on Mr Adil Carcani, the prime minister, to recommend "necessary changes in the government".

Earlier yesterday, according to the official news agency ATA, President Ramiz Alia offered to meet student protesters to discuss the grievances which have prompted three days of demonstrations – the first known anti-government student protests in Albania.

Diplomats said hundreds of students chanting "reform" and "no dictatorship" had clashed with riot police in Tirana on Sunday, and on Monday Tirana University was reported to be "in disorder". The protests had apparently been provoked by a power failure.

Since taking over from the hardliner, Mr Enver Hoxha, in 1985, Mr Alia has introduced cautious reforms. Last month he proposed constitutional changes to allow places of religious worship to reopen.

He also redefined the leading role of the Communist Party to reflect planned multi-candidate, but not multi-party, elections next February.

President Alia recently admitted that Albania's economy was "on the brink of a state of emergency".

His foreign policy this year has been directed towards opening Albania to the outside world. Albania has applied to join the Conference on Security and Co-operation in Europe and in October Tirana hosted a meeting of foreign ministers from Balkan countries to discuss regional co-operation.

However, there has been a gradual increase in popular dissatisfaction at the regime's inability to meet the aspirations inspired by eastern Europe's 1989 revolutions.

Last July thousands of Albanians streamed into foreign embassies in Tirana, taking refuge until they were allowed to emigrate. The leadership has come under further pressure from the defection of Ismail Kadare, the country's most respected writer. Mr Kadare defected to France in October, saying his hopes that President Alia could become Albania's Mikhail Gorbachev had been dashed.

UK electricity shares soar to premium

By David Thomas and Clare Pearson in London

THE prices of shares in Britain's 12 regional electricity companies yesterday moved to a large premium immediately as trading began after their privatisation.

The highest closing premium was recorded by Manweb, based in the north of England: it closed on a premium of 66p on the 100p partly paid price. Seeboard had the lowest closing premium of 42p.

The premium on the package of shares in the 12 regional companies, designed for institutional investors closed just over 50 per cent up on the starting price.

This is likely to be the last major flotation of a public utility by the government. Two generating companies and Scottish Electricity remain to be sold.

The opposition Labour party attacked the premiums as evidence that the issue had been underpriced. Mr Frank Dobson, opposition energy spokesman, pointing to fees of more than £50m ($96m) paid by the government for advice from the City of London, said: "Never in the history of human commerce has so much been paid out to so many for so little."

But Mr John Wakeham, energy secretary, said the premiums reflected the rise in the market since the pricing of the shares. Brushing aside criticisms, he said "they're a post facto judgment. And that's bloody easy for all of us."

Even some government advisers, however, privately admitted that the opening premium was an embarrassment, but Mr Richard Murley, director of Kleinwort Benson, the government's merchant bank, said: "It's always a question of feast or famine in these big issues".

Many individual investors continued to express bitterness over the small numbers of shares allocated to them after the heavy oversubscription of the issue. Some investors who received no shares said they had stopped their cheques in an attempt to prevent the government earning interest on their money.

Government advisers estimated that the Exchequer would earn about 10 days' interest on the £7bn of money that was subscribed for the issue but will have to be returned to disappointed investors. About 780m shares in the electricity companies were traded in the period after dealings started yesterday afternoon.

The stock market stayed open an extra 1½ hours to cope, but some dealers were disappointed at the volumes traded.

The high prices and low allocations to individual investors seems to have damped turnover and prices eased slightly during the day. The opening price on the £1,000 12-company share package was £1,575, while Manweb opened with the biggest premium of 76p.

Some institutions appeared to be waiting until prices settled before making large purchases.

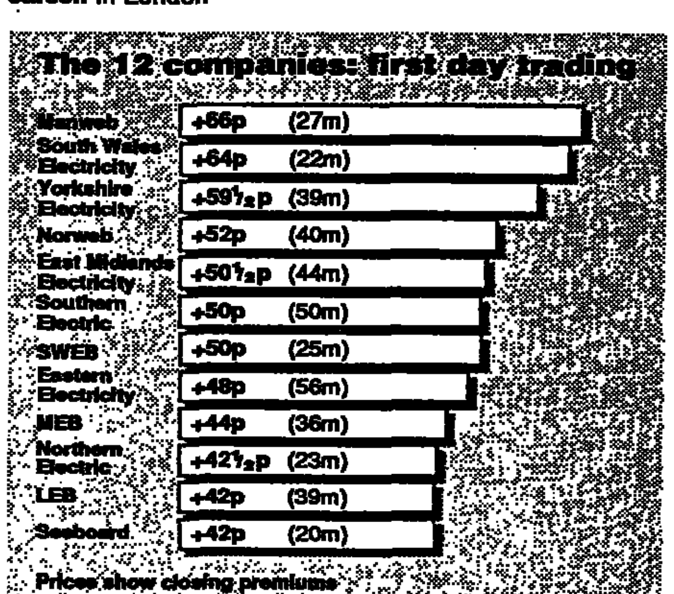
Nevertheless, traders identified considerable selling from the US as North American investors took advantage of the opening premiums.

Smith New Court's small orders department presented a hectic scene. One trader said: "The stock always comes out of the woodwork with these privatisations and we never know how."

Some of the sales stemmed from companies such as Sharelink, the Birmingham-based dealing service, which had agreed in advance to sell individual shareholders' allocations.

Many City professionals passed over the chance to be at the traditional Oxford and Cambridge university rugby match in order to attend the start of trading. Mr Jim Smith, chairman of Eastern, observing the first trading tickets being written, said: "This is really exciting; this is what we've work towards for two years."

Lex, Page 16; Markets, Section II



Russian parliament agrees to talks on union treaty

Continued from page 1

southern republic which wants outright independence along with the three Baltic republics, threw down a new challenge to Moscow by arbitrarily abolishing the autonomous status of one region within its boundaries.

The move by the Georgian parliament could well spark violent protests from the Ossetian minority in the region of South Ossetia in the Caucasus mountains.

Mr Gorbachev on Monday denounced "arrant, extremist nationalists", warning that they posed the greatest danger to the union.

He desperately needs rapid agreement on a new union treaty, spelling out the precise separation of powers between the republics and the central government. Without it, the whole function of government is being called into question, including its finances: so far there is no sign of agreement on next year's budget.

Yet forcing the pace of negotiations could push more republics into the secessionist camp.

Mr Yeltsin yesterday denied that Russia was to blame for the union "falling apart".

He said it was essential that the central government first recognise the sovereignty of the 15 republics, and that they agree on their own constitutions.

"We need guarantees of the observation of the sovereignty of each republic that will sign the new treaty," he said.

Another key republican leader, Mr Nursultan Nazarbayev of Kazakhstan, warned yesterday that the centre must not try to dictate the powers it will retain under the new treaty.

He said that the present draft treaty was too vague on what ownership of land and natural resources would stay with the central government.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	10	50
Algiers	-	-	-
Amsterdam	C	5	41
Athens	C	18	64
Bahrain	S	25	77
Bangkok	F	33	91
Barcelona	F	11	52
Beirut	-	-	-
Belfast	C	6	43
Belgrade	S	12	54
Berlin	Sn	0	32
Biarritz	R	9	48
Bombay	S	30	86
Bordeaux	Dr	6	43
Boulogne	C	7	45
Brussels	C	3	37
Budapest	C	4	39
Buenos Aires	F	25	77
Cairo	S	22	72
Cape Town	S	25	77
Caracas	C	27	81
Casablanca	C	13	55
Chicago	-	-	-
Cologne	C	1	34
Copenhagen	C	2	36
Corfu	F	16	61
Dallas	F	9	48
Dublin	C	6	43
Dubrovnik	F	12	54
Edinburgh	R	6	43
Faro	S	13	55
Florence	S	10	50
Frankfurt	Sn	0	32
Geneva	S	2	36
Gibraltar	S	11	52
Glasgow	R	8	46
Helsinki	Sn	-1	30
Hong Kong	S	25	77
Innsbruck	S	1	34
Inverness	C	8	46
Islamabad	F	19	66
Istanbul	S	15	59
Jakarta	R	31	88
Jersey	F	8	46
Johannesburg	F	25	77
Lima	C	22	72
Lisbon	F	12	54
London	F	7	45
Los Angeles	S	13	55
Luxembourg	Sn	0	32
Madeira	F	17	63
Madrid	F	9	48
Majorca	R	12	54
Malaga	S	12	54
Malta	S	18	64
Manchester	C	3	37
Manila	C	31	88
Melbourne	C	15	59
Mexico City	F	14	57
Miami	S	12	54
Milan	C	7	45
Montreal	-	-	-
Moscow	Sn	-3	27
Munich	S	0	32
Nairobi	F	21	70
Naples	F	18	59
Nassau	F	25	77
New Delhi	S	24	75
New York	F	-1	30
Nice	R	8	46
Nicosia	S	20	68
Oporto	F	12	54
Oslo	F	-5	23
Paris	C	3	37
Peking	S	-1	30
Prague	S	3	37
Reykjavik	S	-2	28
Rhodes	S	18	64
Rio de Janeiro	C	33	91
Rome	R	8	46
Salzburg	S	3	37
San Francisco	R	10	50
Seoul	F	3	37
Singapore	F	28	82
Stockholm	C	1	34
Strasbourg	S	-1	30
Sydney	F	22	72
Taipei	C	22	72
Tangier	C	11	52
Tel Aviv	S	20	68
Tenerife	Dr	18	64
Tokyo	S	17	63
Toronto	C	-5	23
Tunis	S	14	57
Valencia	F	14	57
Venice	S	8	46
Vienna	F	4	39
Warsaw	S	7	45
Washington	S	2	36
Zurich	S	0	32

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES SURVEY

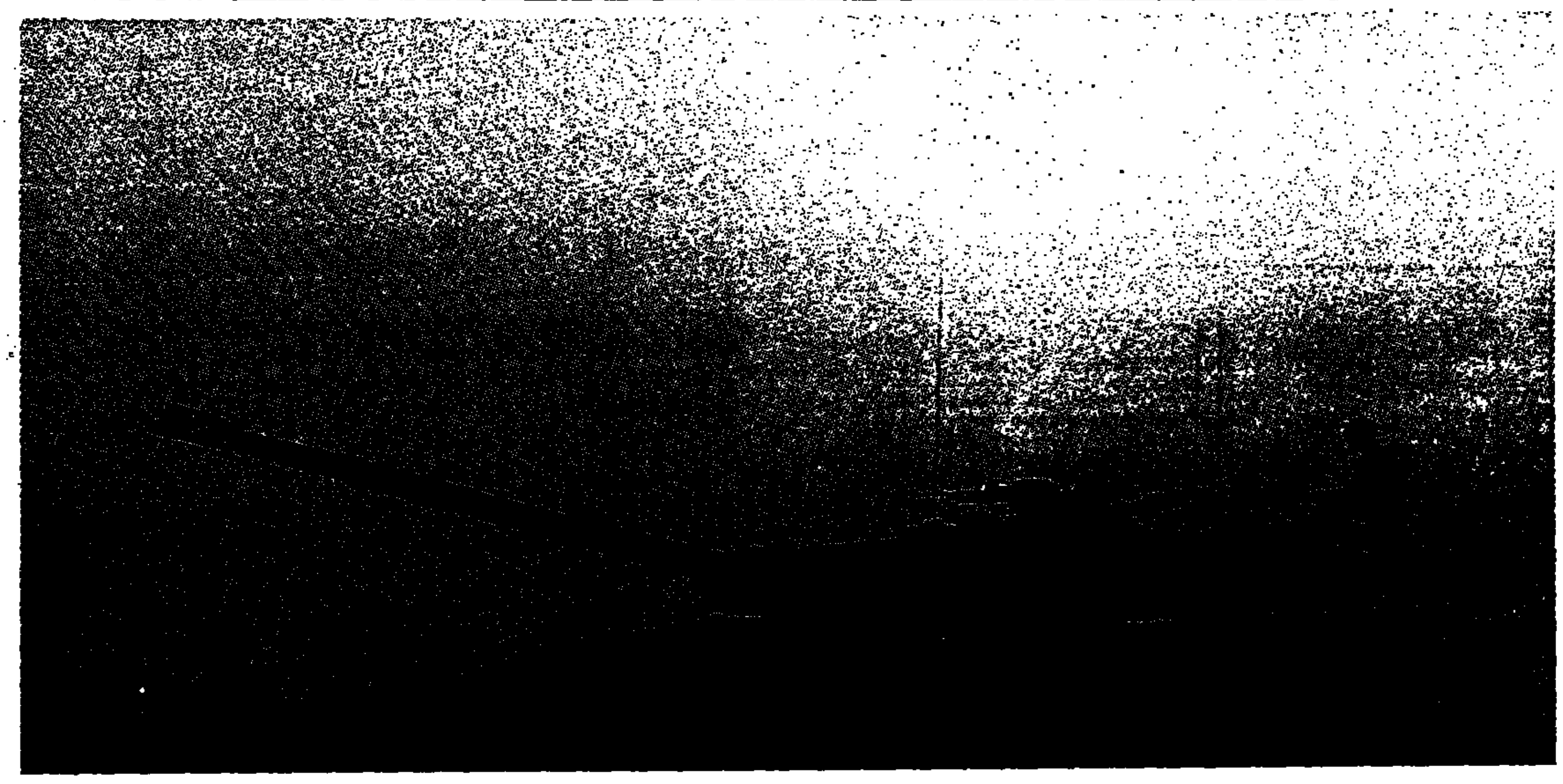
SAUDI ARABIA

SECTION III

Wednesday December 12 1990

These are turbulent times for Saudi Arabia where change comes slowly, if at all. The invasion of Kuwait, as well as threatening the kingdom's security, has affected its relationship with other Arab states and raised doubts about the nature of its society. **Tony Walker** reports

Riches do not buy security



The Sun sets over a Challenger tank of the Queen's Royal Irish Hussars. The regiment is part of the multinational force in the Saudi desert

My kingdom will survive only insofar as it remains a country difficult of access, where the foreigner will have no other aim, with his task fulfilled, but to get out. (Ibn Saud, founder of Saudi Arabia)

When President Saddam Hussein sent his legions into Kuwait on August 2 nowhere was alarm greater than in neighbouring Saudi Arabia whose traditionalist rulers saw the Iraqi action as a direct threat to themselves.

King Fahd quickly resolved to call on US protection. But in the mysterious ways of Saudi consensus-making it took the pro-western monarch several days to convince others in ruling circles that an invitation to foreign intervention was the wisest course. Four months later, Saudi Arabia, the sparsely-populated repository of one-quarter of the world's known oil reserves, is playing host to the largest military concentration since 1945. It also faces the prospect of its territory being used as a launching ground for attacks against a neighbouring Arab state.

Such a scenario would have seemed fantastic right up to the moment of Iraq's seizure of Kuwait. For a country where change comes slowly, if at all, these are turbulent times.

Throughout the kingdom, certainly among better-educated Saudis, there is a sense that things will never be quite the same again. Many complacent notions held before August 2 about regional security and relationships with fellow Arabs will have to be reviewed.

The crisis has had no less of an impact on comfortable Saudi beliefs about their traditional society. It has spurred debate among a nervous elite about the role of the royal family, women's rights, religious strictures and democratic freedoms, to name but a few of the topics being discussed.

One of the questions being debated in plush Saudi salons is whether the crisis will prove a catalyst for change, a watershed event in the short 58-year-old lifespan of the kingdom and more particularly in the rule of the House of Saud.

If there is a consensus, it is that the degree of change will depend on how the crisis evolves.

If it is over quickly and relatively painlessly then the impact may well be limited, but if conflict were to be protracted Saudi Arabia would be buffeted by some strong internal and external pressures.

While most Saudis appear to support King Fahd's decision to call in the US military, the issue is potentially divisive, especially if US forces remain in the kingdom after the conflict – or after the threat of it subsides. A permanent US presence would most likely become a rallying point for disaffection in a country where many people tend to be mistrustful of foreigners.

The US presence is also a painful reminder to the Saudis of their military weakness. Wealth alone does not guarantee security. In spite of the many billions spent on weapons, Saudi Arabia could not deter Iraqi aggression against Kuwait nor guarantee its own security.

The most immediate, certainly the most tangible, impact of the crisis has been on Saudi foreign policy which has been stimulated to a degree that would not have seemed possible before August 2. Led by Prince Saud al-Faisal, the Princeton-educated foreign minister, Saudi assertiveness in regional forums since the invasion has been conspicuous.

Strengthening the links with Egypt, the strategic alliance with Syria, and Saudi willingness to cast aside the holy grail of regional affairs, namely the often barren search for consensus, may well have established ground rules for a new Arab order.

Many Saudis including those in senior government positions, question the value of the previous, indiscriminate policy of "buying off" potentially troublesome neighbours – so-called "riyal diplomacy". Saudi bounty is likely to be more selectively distributed in the future.

At home, the crisis appears to be exposing worrying cross-currents in society between liberalisers and conservatives in what remains a deeply traditional country. A women's driving protest in Riyadh in November (women are not permitted by religious edict to drive in the kingdom) prompted such a negative response from the religious establishment and conservatives generally, that many educated women fear that gains they have made in such areas as the right to work may be jeopardised.

The Gulf crisis has encouraged discussion in business and academic circles about the role of the royal family and the need for reform. The Al Saud princes and princesses and members of associated clans number some 6,000, a figure achieved in just three generations.

This sprawling conglomerate operates, as far as can be judged, at the whim of tribal elders, and most critically there is no mechanism for the distribution of oil wealth among family members, a task that becomes more difficult as numbers multiply. Funds flow to the family in commissions and in other mysterious ways that are hardly satisfactory in a modernising state.

King Fahd has shown himself sensitive to demands for greater participation in the consensus-making process by reviving plans for a consultative council, last heard of in the early 1980s. But Saudi sceptics say such a body would not represent a leap towards a more participatory system, rather it would amount to a formalising of the existing consultative process.

In the face of one of the gravest crises to face Saudi Arabia since Ibn Saud, by war and manoeuvre, proclaimed the kingdom in 1932, Saudi officials insist that it is "business as usual". The government is implementing and accelerating ambitious plans to increase oil production capacity to 10m barrels a day by 1994 instead of 1998.

Work is proceeding on further extending Saudi Arabia's large petrochemical industries, which have proved the success story of the latter part of the 1980's.

Oil production has increased from 5.6m b/d in August to an expected 8.5m b/d by the end of the year. Additional oil revenues due to higher prices and sharply increased production are expected to amount to $14bn this year, much of which is committed in payments for the US military presence and in compensation to states such as Egypt, Syria and Turkey.

Saudi officials insist that the country is not benefiting financially from the crisis, that obligations match pledges of assistance to allies and its own additional defence expenditures.

Sharply higher oil revenues will produce a current account surplus for the first time since the price slump of the early to mid-1980s. Gross domestic product growth will be up significantly on earlier estimates, but the non-oil sector will suffer from the continuing uncertainty.

While the authorities may proclaim that it is "business as usual", the banking and business communities would not agree, except for those benefiting directly from the influx of US and other foreign servicemen.

New private sector investment has almost dried up and banks are highly liquid. Any deterioration in the security situation is likely to provoke another bout of capital flight such as that witnessed in August. Saudis are unaccustomed to such turbulence.

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Lara Marlowe looks at the prospect of increased arms sales (left) but asks whether these will solve the Saudis' main weakness (right)

US takes initiative in a revitalised market

THE GULF crisis has proved a godsend to US arms manufacturers. By early next year they are expected to have signed for $24.5bn in previously unscheduled sales to Saudi Arabia.

With pro-Israeli opposition to arms deals muted in the US Congress, the other principal competitors in the Saudi arms market, UK and France, may have little other than the al-Yamamah and Sawari agreements to sustain them.

The US has been Saudi Arabia's preferred supplier, selling some $50bn worth of weapons and maintenance and training to the kingdom over the past 40 years. Yet in May 1990, the US Business Council of the Gulf Countries noted that the US share of Saudi defence purchases had dropped from 60 per cent in 1980 to just under 10 per cent, largely due to congressional opposition.

The Gulf crisis seems to have reversed that trend. On October 27, President Bush endorsed a $7.5bn emergency arms package to the kingdom. The deal included six Patriot anti-aircraft missile batteries, 150 M1A2 Abrams tanks, 200 Bradley and other armoured vehicles, 12 Apache helicopters, 150 TOW-2a anti-tank missile launchers and 750 missiles, nine Multiple Launch Rocket System launchers, 28 surface-to-surface rockets, 10,000 trucks, seven KC-130 tanker and 10 C-130 transport aircraft, and eight casualty evacuation helicopter units.

Initial press reports in September promised a $20bn deal. Diplomatic sources in Riyadh say that the Bush Administration, fearing opposition in Congress, decided to sell those items which could be delivered quickly in the first phase, while waiting until January 1991 to notify congress of the second phase – worth an additional $17bn. It is not clear how much of the equipment in the overall $24.5bn sales will be shipped new to Saudi Arabia, and how much will be transferred from US troops presently in the kingdom.

The second phase will include more tanks – probably another 235 M1A2s – and several dozen F-15 fighters. Saudi

Crown Prince Abdullah, Commander, National Guard: receiving $4bn arms package

Arabia purchased 60 standard F-15C/Ds in 1978, but Congress limited the number which could be stationed in the kingdom at one time to 60. In 1985, congress vetoed a proposal to sell 45 extended-range F-15s to Saudi Arabia, forcing the Saudis to buy Tornados from the UK instead. In August of this year, President Bush waived the limit of 60 F-15s set by Congress and sent an additional 24 F-15C/Ds to the Royal Saudi Air Force (RSAF), bringing the total to 96, including 12 "attrition" aircraft included in the original contract.

The Saudis have made little secret of their desire to obtain the F-15E strike fighter, which has not yet been exported. It is still not clear whether the second phase of the Gulf crisis deal will include F-15Es or the F-15F, the export model of the F-15E. After August 2, President Bush also waived a ban on the sale of depleted uranium ammunition – which has greater armour-piercing capability than ordinary rounds – to Saudi Arabia. Restrictions on the sale of certain anti-aircraft missiles have been lifted.

Even before Iraq's invasion of Kuwait, 1990 had been a good year for US arms sales to the Saudis. Two important deals were concluded this year – a $4bn package including 1,117 light armoured vehicles for the Saudi National Guard, 2,000 TOW anti-tank missiles, 27 155mm howitzers, a $600m update programme for Saudi Arabia's five Boeing Airborne Warning and Control System (AWACS) aircraft and eight tanker aircraft, and a $6bn deal for 315 M1A2 Abrams tanks.

The AWACS follow-on contract illustrates how arms deals lead to further purchases. In the mid-1980s, the US concluded the $4.9bn "Peace Shield" agreement to supply Saudi Arabia with a comprehensive C^3 (command, control and communications) integrated system, which included the five AWACS aircraft.

In recent dealings with the US, the Saudi government has dropped its policy of demanding offset investments in Saudi Arabia in return for contracts. In the past, western defence attachés say, the offset requirement has slowed the already laborious procurement process.

Saudi officials involved in arms purchases have stated privately that the 1985-86 al-Yamamah defence contract with Britain will be reduced as a result of the US arms deal.

Seventy-two Tornados and 60 Hawk 200 fighters have already been sold under the agreement, but 48 Air Defence Variant (ADV) Tornados which Britain had hoped to sell under al-Yamamah are being dropped in favour of the F-15.

Estimates of the value of the agreement vary, from $18bn to as high as $100bn, including related supplies, services and spin-off contracts. Because the al-Yamamah agreement is partially paid in oil, even Britons involved in the contract say it would be necessary to take account of the daily fluctuations in oil prices and exchange rates since 1985 to calculate what has been paid – a sum they estimate at between $10bn and $15bn.

Like most Saudi arms contracts, al-Yamamah is a process, drawn out over many years, with options to go ahead with – or cancel – proposals. "Reports of the death of al-Yamamah were premature," a UK official in Riyadh says. Britain will still construct an air base at as-Sulayyil, south-west of

US F/A-18s being refuelled by a KC-130 tanker in the Gulf

Riyadh. Eighty-eight Black Hawk helicopters, manufactured under licence in the UK, and three Sandown class minehunters are also to be delivered under al-Yamamah.

While the US and Britain oversee arms sales from their embassies, France nearly two decades ago created a semi-private organisation, the Société Française d'Exportation de Systemes d'Armes (SOFRESA), to sell weapons to Saudi Arabia with a French government guarantee.

US arms manufacturers maintain 5,000 technicians in the kingdom, British technicians number about 3,000 while French weapens personnel number fewer than 1,500.

French marketing efforts in the kingdom are driven by economic concerns. "If we want to maintain a flourishing national armaments industry, we must sell abroad. The French armed forces are not a sufficient market," says one French officer involved in arms contracts.

In the 1970s, SOFRESA succeeded in arming the Saudi 4th and 12th brigades with French tanks and artillery. Later contracts included the Sawari agreement for frigates and the al-Thakeb and Oasis deals for Shahine anti-aircraft missiles, provided by Thomson-CSF.

In a follow-up to the original 1980 Sawari contract, SOFRESA officials are continuing negotiations for an approximately $3bn agreement to provide as many as four frigates, 16 helicopters, Mistral and Exocet missiles to the Royal Saudi Navy. Contrary to reports in mid-1989, the deal – which Britain competed for – has not yet been signed.

Now that the US appears set to fulfil Saudi Arabia's immediate weapons needs, French manufacturers are preparing to fight for the next generation of weapons procurement.

The Aster air defence missile system, the Rafale jet and the Leclerc tank will, they say, be ready to compete around 1995.

A shortage of men

WHEN British and US military personnel arrived in Saudi Arabia this autumn they were surprised to find warehouses full of unused 155mm artillery and M-60 tanks purchased from Britain and the US.

"They were brand new, never touched," a British officer said. He told the anecdote to illustrate the Saudi armed forces' greatest weakness: lack of manpower.

Kuwait, like Saudi Arabia, invested billions of dollars in high-technology weaponry. But when Iraqi troops poured into Kuwait City in buses on the morning of August 2, the Kuwaiti armed forces were powerless.

Whatever the outcome of the Gulf crisis, Saudi Arabia will never again conceive of its security in the same way. By the year's end, some 0.5m servicemen from more than a dozen countries will be deployed in the kingdom.

The most difficult questions remain unanswered: will there be a Gulf war, and if so at what cost and for how long? Which of the foreign armies encamped in the Saudi desert will fight? Will tenuous command-and-control arrangements stand the test of battle? And will the US keep a base in Saudi Arabia after the Gulf crisis is over? If not in the kingdom, then in re-conquered Kuwait?

The future of Saudi Arabia depends on the answers to these questions. While military and political leaders continue to offer speculative and often contradictory answers, Saudi officials are grappling with their own realisation that tens of billions of petrodollars were not sufficient to guarantee the kingdom's security. Above all, the Saudis need more men.

Long before the Gulf crisis, they tested Pakistani mercenaries – in the 12th armoured brigade now stationed at Tabouk – and sent them home. The current, 1990-95 five-year plan, published before Iraq's invasion of Kuwait, gave King Fahd the power to order conscription – a prerogative he may soon have to exercise.

Western military attachés say that aside from their paucity of numbers, the greatest weakness of the Saudi armed forces is in overall cohesion.

Military experts rank the Saudi armed services in the following order of competence: the air force, the air defence forces (an independent branch of the military), the navy, and last – though strongest in numbers – the army.

The National Guard, a powerful force outside the purview of the minister of defence, is also involved in current defence planning.

Because Saudi Arabia has a vast land mass – nearly the size of India with 1 per cent of India's population – the country's rulers viewed the 16,500 strong air force as the most sensible defence investment.

Many Saudi princes became pilots, increasing the prestige of the service, which benefited from a great deal of us air force training and other support. Prince Sultan, the defence minister, is also the chairman of Saudia, the national airline.

One of his sons, Prince Bandar, was a Royal Saudi Air Force (RSAF) pilot before becoming ambassador to Washington. Another son, Prince Khaled, is Chief of Staff of the RSAF and in August took command of the alliance of moslem armies in Saudi Arabia.

French forces in Saudi Arabia are nominally under Prince Khaled's orders. The small air defence forces, with 4,000 men, like the 7,200-strong navy, also enjoyed the continuous presence of western technicians. But the army, with 38,000 soldiers, was largely neglected in its desert outposts.

For psychological reasons particularly acute in Saudi Arabia, the drudgery of soldiering carried little kudos. "It all depends what they are given to do," said a western military attaché. "If you tell soldiers they are going to be a warrior and pilot a plane or drive a tank, they are happy. But if you ask them to hold a gas can or wield a spanner, they can be insulted."

The thousands of Moroccan, Egyptian and Syrian troops stationed near Hafr al-Baten, not far from the Kuwaiti border, have impressed western soldiers with their toughness and professional attitude. "But the Moroccans fought the Polisario [the independence movement in the western Sahara] for 15 years," a European officer said.

"Many Egyptian and Syrian officers fought in the 1973 war against Israel. The Syrians have had a lot of experience in Lebanon. The modern Saudi has no experience of war. You can hardly reproach them for not having made war."

The stated purpose of the National Guard is to keep internal order and, in the event of war, to assist the army. Unlike the army, it is garrisoned in population centres. A second, unspoken purpose would be to fight the army in the event of an attempted military takeover.

The National Guard – not the army – were the first to arrive at the Kuwaiti border after the Iraqi invasion. Although less well-equipped than the army, the national guard of 35,000 men is a more mobile – and motivated force.

Technically under the orders of the minister of the interior, the National Guard has been led for the past 20 years by the now Crown Prince Abdullah. Its members are recruited mainly from among the central Arabian, conservative Nejdi tribesmen.

During the current crisis, the outlines of the transformed Saudi armed forces have begun to emerge. Saudi officials expect the RSAF will have 300 combat aircraft by 1995 – evidence that the kingdom will continue to invest in expensive military planes. Although a long-negotiated contract for French frigates is likely to be concluded, Saudis appear willing to entrust control of Gulf waters to the US.

The transformation of ground troops will be the most extensive, with the army more than doubled to between 80,000 and 90,000 men, divided into divisions of some 12,000 men.

There is talk of shifting 12,000 men from the National Guard to the army, and maintaining four peacetime divisions plus three divisions at two-thirds strength.

When Iraq invaded Kuwait, Saudi Arabia had only 550 main battle tanks. The purchase of 700 US M1A2 main battletanks (465 of which are signed for), a total of 300 M60A3s and about 300 ageing french AMX-30s should give the Saudi army nearly 1,300 main battle tanks within three to four years.

THE YEMEN

A relationship turned sour

ONE of the many painful consequences, in human terms, of the Gulf crisis has been the rift it has brought in relations between Saudi Arabia and the Yemenis.

Nearly 0.5m Yemeni workers have left the kingdom and many of them have had no jobs or homes to go to in their own country. Yemen is the latest state to have been given a refugee problem by the crisis.

Before President Saddam invaded Kuwait on August 2, there were thought to be some 1m Yemenis in Saudia Arabia. They represented about one-third of the male work force of the original state of North Yemen, which absorbed southern Yemen in April this year.

Unlike other foreigners, the Yemenis were allowed to enter the kingdom without visas and, more important, they were allowed to establish small businesses – tea shops, garages, bakeries, building companies – without having Saudi sponsors or partners.

This fairly happy relationship was spoiled when the Yemeni president, Mr Ali Abdullah Saleh, voted in the Arab League against condemning Iraq after the invasion, and then abstained from voting on various UN Security Council resolutions.

It also emerged that Yemen was being rather half-hearted in implementing the UN embargo of Iraq.

The Saudis were greatly disappointed and angered by this. They regard themselves as having been extremely generous to Yemen. It is true that in the 1960s, during the civil war, and also in the 1970s the Saudis became considerably involved in Yemen's internal politics, paying retainers to the northern tribes to give themselves leverage on the government in Sanaa.

In the 1980s, however, the political interference seems to have been less, as the central government grew stronger, and most of the Saudi involvement was through giving aid. Some Yemeni ministries obtained a substantial portion of their budget from the kingdom.

Yet none of this made the Saudis loved in Yemen. The two countries' relationship was rather like that of the US and Mexico – with the weaker power being dependent on its big neighbour but resenting being patronised by it. In the Yemeni town of Saada near the frontier, a hospital built and run by the Saudis contains no reference to the kingdom in its name in case that should discourage Yemenis from using it.

In September the Saudis vented their wrath over Yemen's stand on the Gulf crisis, first by expelling a large number of diplomats and then by demanding that all Yemenis working in the kingdom should take Saudi sponsors.

The Yemeni government in turn told its citizens that if they took Saudi's sponsorship their passports would be cancelled.

In spite of the fact that many Yemenis had a considerable investment in the kingdom in the form of stocks of goods, rents paid in advance and money paid to Saudis to enable them to trade under Saudi names in shops, several hundred thousand of them decided to leave.

This prompted a blast of propaganda from the government in Sanaa. It was alleged that Yemenis were having their belongings confiscated at the frontier, a claim which caused the Saudis, who normally hate getting involved in public arguments with other countries, to issue a list of all the goods taken out by Yemenis down to the nearest 100kg.

Mr Ali Abdullah Saleh has accused the Saudis of trying to destabilise his country by flooding it with refugees. He added that the Saudis had been trying to subvert the northern tribes and that earlier in the year they had tried to bribe southern Yemeni politicians to sabotage the union of the two countries. He said that this was the reason it had been necessary to merge north and south six months ahead of the date originally planned.

There is no evidence to prove or disprove these allegations. Certainly the Saudis were taken by surprise by the union and were not happy about it. Traditionally it was the Saudi policy to keep the

Ali Abdullah Saleh: spoiled a fairly happy relationship when he voted in the Arab League against condemning Iraq

two Yemens apart, mainly because their populations were one and a half times that of the kingdom, and together they were expected to represent a threat on the southern border, where the boundaries have not finally been agreed.

Yemeni radio took up the anti-Saudi campaign. It interviewed one of its countrymen who claimed, fatuously, that he had been walking round the kabba in the Grand Mosque in Mecca and on the fourth circuit had been stopped by an US soldier. Amnesty International reported the claim of Yemenis that they had been harassed, deprived of sleep and beaten at the frontier.

During October it seems that a great fear took hold of the Yemenis in Saudi Arabia and the exodus accelerated. In all it is thought that nearly half a million have left, and although the Sanaa government has now revoked its decision on passports, few have returned.

A similar fear of Yemenis swept through Saudi society. There were rumours that Yemeni bakers were urinating in their dough and putting glass in mottabagh, a dish made with eggs and vegetables. A Saudi prince and his wife had just finished a takeaway dinner of this food when a friend telephoned to tell them about the glass. "There wasn't much I could do," he said. "My wife turned to me and said, 'Well, you ate more than I did.'"

Many Saudis feel uneasy about the way their government has handled the Yemenis, even though in the present crisis it has been the Yemeni government that has been more aggressive and inept. They say that the kingdom has played into Mr Ali Abdullah Saleh's hands, adding the ill-will of the Yemeni people to the ill-will of their not very attractive regime.

When the Gulf crisis is over the Saudis may start to turn a blind eye to the rules of sponsorship and some of the Yemenis may return.

But there will also be an influx of Egyptians to replace them, and the Saudis are not very happy about this. The Egyptians are not of the same Arabian peninsula culture as the Yemenis and Saudis, and they are felt to be more prone to petty crime.

From the Egyptian point of view, however, the Yemeni-Saudi rift is a boon, because it will further the Cairo government's long-standing policy of getting as much as possible of its huge population to work abroad.

In this episode, as in many other aspects, Egypt has been the obvious winner from the Gulf crisis.

Michael Field

Kuwait's government operates from two Saudi hotels

Exiles await 'Day of Return'

THE KUWAITI government's Ministry of Housing is presently accommodated in a small room marked "Linen Cupboard" in the Sheraton Hotel in the Saudi mountain town of Taif. Inside the cupboard, which retains the smell of laundered sheets, the minister has two chairs and a reproduction Louis XV writing table, a standard Arab piece of furniture, which he shares with an office director and the Minister of Religious Endowments and Islamic Affairs.

The essentials of the Kuwaiti government – the ministers and under-secretaries, supported by a few volunteers – are now based in two hotels in Taif, the Sheraton and the Intercontinental. The upper floors have the offices of the senior ministers and the more sensitive aspects of the government in exile. The lower floors accommodate junior officials, telephone switchboards and fax room, and the foyers are full of security officials and boards of "before" and "after" snapshots of Kuwait City, featuring illuminated buildings and torture victims.

At meal times everyone gathers on the top floor in a standard Middle Eastern hotel luxury restaurant, with marble floors, soft stairs, Egyptian and Filipino waiters and bland international cuisine.

The ministers came together quickly after the beginning of the crisis. On Friday August 3, the day after the Iraqi invasion, most of them were at Khafji, a small town just across the Saudi border, where they tried to take stock of conditions in Kuwait and international reaction to the invasion.

Within 36 hours they felt that Khafji might not be safe. It seemed that Iraq was likely to invade Saudi Arabia, and so on the Saturday evening the ministers drove south to Dammam, capital of the Saudi Eastern Province.

They stayed there for 10 days until they and the Saudi authorities decided that, for the sake of security, they should move somewhere which was comfortable but further from the Iraqis and away from large population centres. They chose Taif and Hada, two towns of comfortable villas, hotels, conference centres and palaces, on top of the 7,000ft

September: Kuwaitis abandon their cars at the Saudi border

escarpment that overlooks Mecca, Jeddah and the Red Sea coast.

In Taif, the government holds a daily cabinet meeting for those of its members who are not on foreign assignments. For the rest of the time the ministers work in a number of special committees, which have roughly the functions of ministries. These include finance, national security (which covers the armed forces, resistance and intelligence), public relations and information, foreign policy and people's affairs.

The last of these is concerned with finding housing for the 400,000 Kuwaitis – more than half of all Kuwaiti nationals – who have left their country. Most of the richer Kuwaitis have houses in London and elsewhere in Europe; the rest are being accommodated in luxury hotels in Saudi and the Gulf states, where they mingle with journalists and personnel of the multinational force.

In Saudi Arabia, the policy is to move the Kuwaitis into the mass housing schemes which the government built as a gesture to alleviate the housing shortage in the late 1970s. As soon as the schemes were finished, equilibrium returned to the private sector housing market and, until the present crisis, the tower blocks were never used.

The Kuwaiti government pays an accommodation allowance equivalent to $400 a month for families of five or less plus a $1,500 one-off payment for furniture, and living allowances which for a typical family of five come to $800 a month. These rates apply to Kuwaitis in the Middle East. Those living in Europe are assumed to be richer and are therefore paid only a living allowance of £10 ($20) a day for adults and £7 for children.

The government's view is that it does not want Kuwaitis to be so desperate that "their pride or ethics are harmed", as the Minister of Housing, Yahya al-Sumait, put it. The government would be horrified if any of them resorted to begging or theft. On the other hand, it does not want to pay them so much that they incite the jealousy of the people still living in Kuwait.

The biggest and most important of the government committees is that for the Preparation for the Day of Return, which was established while the government was still in Dammam. It groups four representatives from each of the Kuwaiti ministries and is concerned with exactly what the government has to do from day one of the liberation. The Kuwaitis are supremely confident that they will eventually get their state back, and they hardly acknowledge that, whether by military or other means, the victory will be won for them by others.

The committee has worked out a blueprint for the return, setting out what steps have to be taken. It is studying who should go back first and how it will restore essential services if the Iraqis have destroyed, for example, the linked power stations and desalination plants on which the country depends for all its electricity and water.

The whole government operation is paid for out of the finance ministry's foreign investments, which when the crisis broke were thought to be worth $80bn-$100bn. On August 2-3, these assets were frozen worldwide so that the Iraqi authorities could not steal them, but soon afterwards the western governments organised a "ring fence" around Kuwait and Iraq and allowed the government in exile to deal with its funds in the normal way.

The government now has complete access to its investments. It buys and sells in the normal way, trying to keep its transactions within single currencies, and asks the permission of the authorities of the countries concerned whenever it wishes to transfer money out for spending. Permission is usually granted within hours.

Although the government's income from its assets is substantial, it is spending at a rate which obliges it to liquidate some of its investments. Payments to Kuwaiti citizens are thought to be absorbing $250m-$500m a month, and further large sums are helping to pay for the multinational force and compensate developing countries for the embargo on Iraq.

Fortunately, almost none of the Kuwaiti government's liquid assets have been lost to Iraq. The freeze and "ring fence" system has been watertight; the only financial assets that the Iraqis have been able to carry off have been small amounts of foreign currency found in the Central Bank and the commercial banks in Kuwait, and 1.3m ounces of gold in the Central Bank, with a market value of $400m-$500m.

In Iraqi hands, the gold is worth much less than this. All gold bars are numbered and stamped by one of a small number of refiners and cannot normally be sold without the buyer being aware of the identity of the proper owner. In effect, as a Kuwaiti minister puts it, the only outlets for the stolen gold are the international criminal fraternity and jewellery souks in Jordan. The former will demand a large discount; the latter will not be able to absorb very much.

Michael Field

BANKING

Movement of funds begins to settle down

THE DATE August 2 will long be imprinted on the memories of bankers in Saudi Arabia as the day on which comfortable notions about the stability of their depositor base were upset.

In the aftermath of Iraq's invasion of Kuwait, depositors rushed the banks, withdrawing savings in cash or in traveller's cheques, and in many cases remitting their funds abroad. Bankers estimate that some $9bn in funds fled the kingdom. The run on the banks was the most conspicuous and immediately unpleasant consequence of the events in next-door Kuwait.

As one Saudi banker said: "What was happening to Kuwaiti banks represented the unthinkable."

In the month after the invasion, private deposits in Saudi Arabia's 12 commercial banks dropped on average by 11 per cent from SR153bn to SR128bn, according to latest figures from the Saudi Arabian Monetary Agency (SAMA), the kingdom's central bank.

Bankers credit SAMA, which refused to impose exchange controls, with quickly helping to stabilise the situation. It agreed to discount up to 50 per cent of banks' holdings of government bonds rather than the previous 25 per cent for the half dozen or so market-making banks and 10 per cent for the others.

It also allowed "daylight overdrafts" to ensure that banks could meet depositors' demands.

The high liquidity levels of local banks helped them to cope with the run on deposits, but as one expatriate banker said: "It was pretty alarming when you think about it with people removing 5 per cent of the bank's deposit base in cash in a matter of days."

Since the end of August, the situation has stabilised and funds have begun returning, although bankers assume the so-called "smart money" of high net worth individuals that moved out of the kingdom, much of it to Switzerland, in the days after the invasion will remain abroad pending a resolution of the crisis.

The government is said to have played its part in helping to balance the panicky movement of funds, by bringing up to date payments on its own obligations to the commercial sector.

Bank results for the third quarter tend to bear out the anecdotal evidence that indicates an average of about 7 per cent shrinkage in assets for the banking sector as a whole. Saudi American Bank experienced a 5 per cent drop in total assets between the end of the second and third quarters, Saudi Fransi Bank suffered a 10 per cent decline and Saudi-British a 6 per cent fall. On the other hand, the United Saudi Commercial Bank's total assets grew by 1 per cent in the same period.

Looking to the future, bankers have no doubt that if war breaks out there will be further pressure on the deposit base, but they believe that the presence of American forces and what one banker called the "conditioning process" of the past few months will help them weather the storm. If war is protracted and messy then a continued steady erosion of deposits can be expected.

Banks in the meantime are continuing to build up liquidity in anticipation of further difficulties. Demand for credit in the uncertain climate has diminished. High liquidity levels mean there is continuing downward pressure on riyal interest rates.

In Jeddah, Saudi Arabia's commercial hub, bankers say there has been a virtual freeze on new private sector investment — a development that is extremely disappointing for the local banking community which was hoping for a brisk start to the 1990's after the difficult 1980's when most Saudi financial institutions were plagued by a mountain of bad debts caused partly by a lingering recession due to the slump in oil prices.

As Mr Abdul Hadi Shayef of National Commercial Bank said: "The problem with the Gulf crisis is that it came at a point when businessmen were very optimistic and were preparing themselves for a take-off."

Bank results for the first three quarters of the year showed that the sector is continuing to return to good health, although the present uncertainty is expected to eat into profits in the fourth quarter. Saudi British Bank, United Saudi Commercial Bank, Saudi American Bank, Al Bank Al Saudi Fransi and Al-Rajhi Banking and Investment all reported increased profits, with USCB registering an impressive 33.8 per cent rise.

The troubled Saudi Cairo Bank under the chairmanship of the former mayor of Jeddah, Mr Wahib Binzagr, continues to make progress in its efforts to get on top of its problems. An operating profit of SR52m in 1989 was expected to be transferred to provisions.

The privately-owned National Commercial Bank was also continuing to grapple with very substantial bad debts. NCB, as it did the previous two years, committed its entire operating profit (SR917m for 1989) to provisions. It is expected to make substantial provisions this year.

NCB's auditors again qualified its accounts, noting that "certain loans and advances" contravened Articles 8 and 9 of the Banking Control Law. These forbid the granting of credit to one client in excess of 25 per cent of a bank's capital and reserves, and prohibit certain categories of unsecured credit.

Bankers say the local regulatory environment has been much improved, and that SAMA is playing a more activist role as the banking system emerges from the bad debt problems of the last decade. SAMA is quietly encouraging mergers and takeovers in what many bankers regard as an "overbanked" local system with its 12 commercial banks, five specialised credit institutions and a variety of non-bank financial institutions.

'What was happening to Kuwaiti banks represented the unthinkable'

USCB and Bank al-Jazira, for example, are at a fairly advanced stage in their negotiations. If successful, USCB's branch network would more than double with the addition of the al-Jazira branches. No other mergers and takeovers are immediately in the offing, but further rationalisation of the industry is expected to take place over the next few years.

The banking sector is continuing to invest heavily in extending branch networks and in automation in efforts to improve performance in the retail market. Banks are going after the large volume of funds circulating outside the banking system in a country where many people for religious or other reasons are suspicious of modern institutions.

The Saudi ratio of branches to adult population of about one to every 5,000 people is low compared with say Bahrain where the ratio is one for every 3,500 adults. Banks are also working hard, within constraints of local religious strictures against the charging or payment of interest, to offer new investment opportunities to clients who are becoming more discerning investors.

Saudis, who were previously content to leave their funds on current account, are looking for a return on their money. Banks are offering investments in commodity funds, currency-linked funds and equity funds in an effort to satisfy investor demand and avoid the taint of usury. Creative approaches are being adopted in consumer finance with a built-in margin to avoid specifically charging interest.

Banks, in their efforts to recoup some of their losses, are continuing to face difficulties in their dealings with the Saudi court system, but the establishment in 1987 of the Banking Disputes Settlement Committee, otherwise known as the SAMA committee, has helped to resolve a number of longstanding disputes.

According to a senior Saudi official familiar with its operations, the SAMA committee has reviewed some 1,500 cases and achieved a "satisfactory reconciliation" in 500. New cases come in virtually every day and there are some 200-300 pending.

The SAMA committee cannot enforce judgments, rather it operates as a conciliator or broker between parties in dispute. Its success rests on the informal pressure it can bring to bear on defaulting creditors by such devices as recommending that passports be withheld or offenders be removed from the list of those eligible for government contracts.

While bankers, whose view of the court system as an avenue for redress against troublesome creditors is jaundiced to say the least, welcome the activities of the SAMA committee they don't see it as a satisfactory long-term solution.

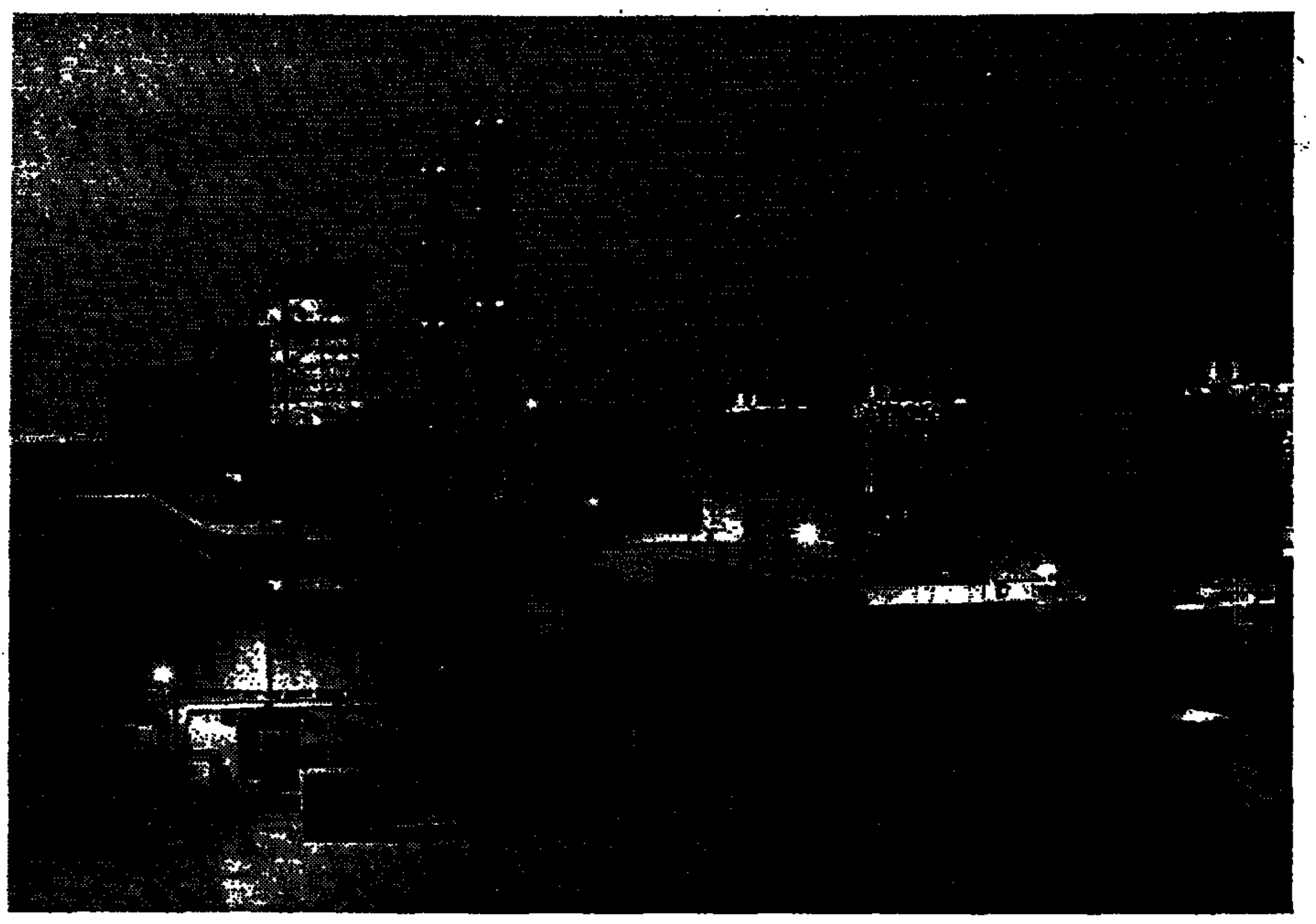
"It's a worthy effort," said one. "They are nice people, they try hard, but the results are normally a fudge . . . banks at best usually end up getting half their dues."

But this same banker said that a positive development in the last 12 months or so had been that banks had dealt administratively at least with most of their problem debts, a process which had been taking up an inordinate amount of time.

"The story of the second half of the 1980's was that of sorting out the sheep froms the goats," he said.

"Now we have left a residual rump of unresolved problems. Bad debts will not be the story of the 1990's. Banks have adjusted their practices, so the problem won't arise again. We have sorted out who is an honest man and who is not. One of the greatest shocks of the 1980's was for 20 years we had believed a Saudi's word was his bond."

Tony Walker



The Royal Commission for Jubail and Yanbu has helped to build the power generation units (above) that form part of the power, desalination and seawater cooling requirements of the industrial complex at Madinat Yanbu al-Sinaiyah

Banks' first half results 1989-90 (SRm)

	Total assets		Loans		Provisions		Net Income	
	1989	1990	1989	1990	1989	1990	1989	1990
Riyad	43,400	44,200	10,184	11,432	116	90	191	197
Saudi American	23,108	28,036	6,170	6,637	54	34	187	266
Saudi Fransi	19,708	17,363	5,781	5,642	30	30	61	83
Arab National	14,763	16,490	3,518	3,993	37	43	159	168
Saudi British	11,760	14,260	2,307	2,722	-	12	69	91
Saudi Dutch	10,385	19,655	3,266	2,846	40	40	43	44
USCB	4,671	6,067	808	1,206	15	15	41	56

EIU Country Report (4)

INVESTMENT

Note of caution slows decisions

MR Mubarak al-Khafrah, Saudi Arabia's deputy minister for Industrial Affairs remains bullish about investment opportunities in spite of uncertainties caused by the Gulf crisis.

While anecdotal evidence might suggest otherwise, Mr al-Khafrah insists that foreign investors are pressing ahead with investments, and have not been deflected by developments in the Gulf.

He cites plans by Himont, of the US to take a 40 per cent stake in a SR1.4bn project with the National Company for Petrochemical Industries to produce propylene and polypropylene in Yanbu, a SR683m project involving Avon, of the UK, to manufacture tyres and tubes at Jubail and the establishment of a copper smelter at Yanbu with foreign participation as examples of continuing investor confidence.

Foreign investors had been extremely active in the 12 months to July, 1990 with agreements signed for some 44 joint venture projects with total capital investment of SR868m. "I believe the crisis is temporary," says Mr al-Khafrah. "We are doing business as normal, and even if the conflict is solved through war business will continue. We have no other choice."

The Saudi official said that rather than being frightened off by the present crisis, investors had been encouraged by world determination to protect Saudi Arabia.

While, it is true that a number of larger projects, involving foreign investors, that were already in the pipeline, are proceeding, bankers and businessmen report that nervousness about the crisis is slowing investment decisions. Both Saudi nationals and foreign investors, as would be expected, are proceeding cautiously.

Unfortunately for the Saudi authorities the Gulf crisis came at a moment when there were clear signs that local investor confidence was building after the recession and debt problems of the 1980's. The decline in private sector investment had been arrested and Saudi businessmen were again looking for opportunities at home.

Concern about a possible riyal devaluation had receded. Capital repatriated after the 1987 world stock market crash was finding its way either into the local stock market or into projects and real estate. There were signs of a pick-up in the construction sector. The striking success of Saudi petrochemical industries over the past two years was acting as a magnet for foreign investment.

While Saudis, who are estimated to hold some $60bn in overseas portfolios and real estate, have been chary of investments at home, there were, according to all reports, signs of a significant change in sentiment. But the onset of the Gulf crisis and the very substantial movement of funds abroad showed that Saudi confidence remains fragile.

The government has made the enouragement of investment, both local and foreign, in the non-oil sector a priority of its fifth five-year development plan, announced in January, 1990, that envisages total government expenditure of $201bn.

About half that amount is to be spent on economic development projects, including continued infrastructure development, industrial and mining development, construction and expansion of service industries.

The plan is directed particularly at fostering an expansion of the private sector which accounts for about 40 per cent of gross domestic product. Development of the non-oil sector is a must, say Saudi officials to help create employment for the fast-growing Saudi working age population. Something like half the populace is under 15 years old and unemployment is growing.

While the government is seeking to encourage foreign investment, the local regulatory environment remains hazardous. Dispute-settling procedures tend to discriminate in favour of Saudi nationals and regulations governing foreign investors are sometimes capriciously applied.

But at the same time, foreign businessmen and bankers report, that the regulatory environment is becoming more liberal and the authorities more understanding of difficulties faced by investors.

Governmental bodies such as the Royal Commission for Jubail and Yanbu under Prince Abdullah bin Faisal bin Turki have been playing an increasingly active and pioneering role in promoting foreign investment in Saudi Arabia's industrial cities.

TW

THE ECONOMY: confidence grows as oil revenues filter down, writes **Michael Field**

War footing lifts business pace

"WHATEVER happens, we'll be winners now," said a businessman in the Saudi Eastern Province town of Alkhobar. His words reflect the rise of confidence that there has been since the end of August, when the kingdom realised that is was not going to be invaded by Iraq and was well protected by the multinational force.

The businessman said that if there is a peaceful solution to the crisis and President Saddam Hussein survives, the west will want Saudi Arabia to be a counter-balance to Iraq, while if Iraq is humiliated and its military power destroyed the kingdom will be the dominant state in the eastern part of the Arab world.

There has been a large increase in Saudi Arabia's oil revenue brought about by the closure of production in Iraq and Kuwait. These revenues are paid to the government and reach the private sector through the ministries' current and capital spending. Although the private sector has begun to take up some of the running in diversifying the economy, the motor of the system remains government spending.

Since the Kuwait crisis began on August 2, Saudi Arabia's oil exports have increased by nearly half, to some 6.8m barrels a day, and prices have roughly doubled so that it is earning revenues of about $6bn a month. This is three times the rate of revenues it was getting in the middle of the year.

It is known that a great deal of the extra income has been pledged to the governments that have sent the multinational force and to friendly countries in the region, such as Turkey and Egypt, that have suffered economic damage as a result of implementing the embargo on Iraq.

Exactly how much money is being spent in these ways has not been announced but the general expectation is that the kingdom's budget will not be put back into surplus this year.

The extra revenues may only remove the deficit of $8bn that was forecast for 1990 when the budget was announced at the beginning of January. If, however, Saudi revenues run at $6bn a month next year, the kingdom will be back in the surpluses it enjoyed in the early 1980s.

The main impact of the higher revenues has been in giving the private sector confidence rather than any large transfusion of cash. Nevertheless, there is some material benefit trickling through.

Since the beginning of the crisis, the government has brought itself up to date in its payments on contracts.

From the time the Saudi recession began in 1984, government agencies found excuses for delaying their payments to construction companies, suppliers of government tenders and wheat producers, who sell all of their large production to the Grain Silos and Flour Mills Organisation.

The delays led to resentment and caused problems for many companies with their banks. The government is making all payments on time because it wants to instill confidence into society. The crisis makes businessmen feel they can demand cash on delivery.

There has been a stimulus from the spending of the foreign military forces. In the Eastern Province spending has increased. The arrival of the forces has led to heavy demand in the property market, which traditionally has been the most important single source of income for the private sector.

Landlords are telling their tenants that when their contracts are reviewed, normally annually, their rents will be raised by anything between 50 and 100 per cent. In some cases they are demanding an immediate increase of 25 per cent which, strictly speaking, is illegal. Truck and construction equipment owners, car hire companies, catering companies, packet food manufacturers and bottled water plants are doing nearly as well as property owners.

A similar effect is being experienced in neighbouring Bahrain, which serves as a base for part of the multinational naval presence.

The one long-term spending stimulus being felt by the Saudi economy is coming from the rapid expansion of the kingdom's oil production capacity, back to 10m b/d, which was the level of sustainable output in 1980 and 1981. Before the crisis, there was some question about whether this capacity would be necessary and the intention was to install it slowly, finishing in the late 1990s.

Now the government is starting on a programme which will involve it spending $75bn during five years. Wells shut in during the oil surplus years of the mid-1980s are being taken out of mothballs to meet the current production level of 7.5m b/d. "Surge production" capacity should reach 10m b/d within six months.

The plan to make this level of production sustainable involves the construction of more water-injection facilities to maintain reservoir pressures and a big extension of the gas-gathering grid.

Outside the oil construction sector, the expansion is very much a short-term phenomenon. Rents may have risen but land prices are static. There is little private sector activity, except of prefabricated accommodation for soldiers. Nor are the bigger Saudi companies, which are more interested in industry than in property, committing themselves to new projects, even though they may have been studying them for months and concluded that they are viable. The banks are not lending. Before they commit their money, investors and lenders are waiting to see how the Kuwait crisis is resolved.

Even so, the more far-sighted company owners and managers are looking at ways in which they expect their country's economy to be different in the future. Among their predictions are:

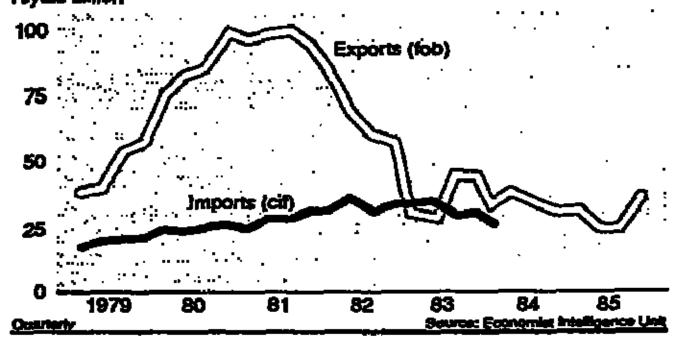
- The kingdom will reassert itself in OPEC and keep much of its higher production
- The members of the Gulf Co-operation Council, which groups Saudi Arabia, Oman and the Gulf states, will integrate more closely than before. They should be able to liberalise capital flows between them and resolve their differences over a common external tariff
- Egypt will emerge as a leading Saudi and Gulf business partner, supplying labour to replace the Palestinians who have left the Gulf states and the Yemenis who have left Saudi Arabia. There are expected to be numerous Saudi-Egyptian industrial joint ventures, using Saudi capital and Egyptian labour, and exporting products both ways across the Red Sea
- Saudi Arabia and the Gulf states will move even closer to the US and Britain and companies from these countries are expected to benefit.

The Japanese lost much goodwill when their executives fled from banks in Bahrain and various industrial plants in Saudi Arabia at the beginning of the crisis. This did not prevent the government in October signing a contract for the expansion of a fertiliser plant with the Chiyoda company

- The finance ministry will argue for the rebuilding of its reserves, which saved the economy from disaster during the recession. These reserves are held by the Saudi Arabian Monetary Agency, the central bank
- The Saudi army will be expanded, though conscription is unlikely. In recent years, the army has been taking no more than a third of the volunteers who have come to it. Expanding forces will slow the growth of Saudi unemployment and provide business for military contractors
- The Eastern Province, which has received less attention than Jeddah and Riyadh, will be developed faster. It was intended in the mid-1980s that its development should be accelerated but plans were frustrated by the recession. The large new airport at Safwa was supposed to be finished in June, 1990, but early this year the target had slipped to 1993. This may be brought forward
- The rise in rents and other costs associated with economic recovery will work against the diversification of the private sector, which in the last three years has been developing industries and services which nobody during the high-cost good years of the 1970s thought would be economic. However, diversification will only be slowed.

Trade

Riyals billion



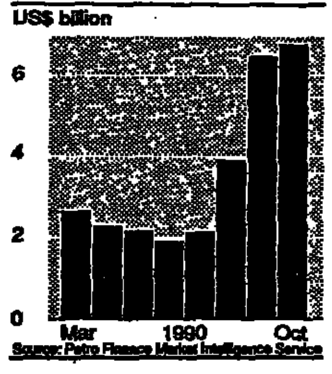
Quarterly. Source: Economist Intelligence Unit

Victor Mallet looks at the implications of the large increases in oil output

Production primed for new targets

Petroleum exports

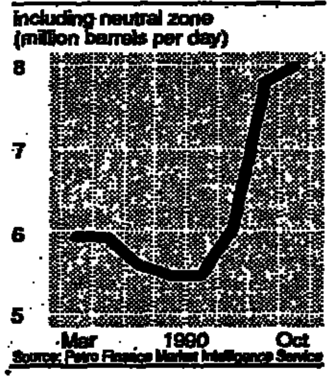
US$ billion



Source: Petro Finance Market Intelligence Service

Crude oil output

Including neutral zone (million barrels per day)



Source: Petro Finance Market Intelligence Service

SAUDI Arabia's response to the Iraqi invasion of Kuwait has been remarkable in more ways than one.

Just as the Kingdom's investment in vast military airbases has been triumphantly vindicated by their ability to absorb scores of US warplanes during the crisis, so has the Saudi oil industry managed to meet the most demanding production targets to make up for the loss of Iraqi and Kuwaiti oil exports.

Within four months of the invasion on August 2, Saudi Arabia had lifted its oil output to some 8m barrels a day from 5.5m b/d, while current sustainable capacity is estimated at more than 8.5m b/d.

Saudi Arabia, having used its clout within the Organisation of Petroleum Exporting Countries to suspend Opec quotas for the duration of the crisis, has made up for two thirds of the production shut down by the international economic sanctions against Iraq.

This has been achieved by reactivating mothballed facilities in the Safaniya, Marjan and Zuluf fields.

Prince Abdulaziz bin Salman, adviser to Saudi Oil Minister Mr Hisham Nazer, has angrily rejected suggestions that a slow response by Opec to the crisis helped to force up the price of oil.

"Opec as a whole agreed in late August to lift the quotas and allow maximum production to stabilise the panic-stricken market," he said in a statement published by the Middle East Economic Survey, the oil newsletter. "Opec did not invade Kuwait. The crisis is a political one and Opec has done a remarkable job of bringing additional production to the market."

At the same time, Saudi Arabia is making contingency plans for war, both to ensure a regular supply of crude to its customers and to provide enough stored jet fuel and other refined products for any allied war effort against Iraq.

The Oil Ministry has accelerated plans involving more than $15bn of investment to increase its crude oil production capacity to some 10m b/d – a level last seen in the early 1980s.

Saudi Arabia hopes to reach the target within about three years, although a sudden end to the crisis could put back the completion of the expansion towards 1998.

Increasing capacity rapidly beyond the 8.5m b/d plateau will not be easy for Saudi Aramco, the national oil company based in Dhahran in the Eastern Province. The threat of war has prompted more than 500 of its 11,500 foreign employees, most of them Filipinos or Indians, to resign.

Yet Saudi Aramco wants to lift its 43,000 workforce by between 3,000 and 4,000 – of whom anywhere between 1,000 and 1,500 would be foreign specialists – to implement the expansion programme. Computer software experts and project managers are in particularly short supply.

Mr Ali Naimi, the company's chief executive, went to the US in October to hunt for 800 experienced US and Canadian oil workers, including a further injection of loaned employees from Saudi Arabia's traditional foreign partners – Exxon, Mobil, Texaco and Chevron. Saudi Aramco has also granted its employees a "crisis" pay rise of 15 per cent, but it may have to increase wages further if it wants to keep foreigners through 1991 when many of them have sent their families home to safety.

"They are running into problems and one of them is to find the people," says one oil industry executive. "But Aramco has done an outstanding job so far on top of managing the crisis."

Saudi Arabia's expansion plans require sophisticated equipment, including compressors and gas-oil separators, which cannot always be bought off the shelf. There is stiff international competition to buy or hire both people and equipment as producers take advantage of higher prices.

One of the aims of the Saudi programme is to diversify production away from the militarily vulnerable Eastern Province. It was there that the California Arabian Standard Oil Company struck oil more than 50 years ago and it is there that most of the kingdom's proven reserves of about 260bn barrels – a quarter of the world total – are located.

Saudi Aramco is analysing seismic surveys of offshore areas in the Red Sea on the other side of the kingdom, and is also prospecting to the north-west of Riyadh. It hopes that much of its new production will come from virgin reserves of light crude in the southern deserts of the empty quarter.

Lydie van der Meer

Hisham Nazer, oil minister

A promising area of 60km by 100km lies south of Riyadh. Of the seven exploratory wells drilled, one has produced gas and five have produced ultra-light, low sulphur oil; only one has been dry. Plans are under way to develop the fields – whose minimum reserves are estimated at 4bn barrels – and add a further 200,000 to 300,000 b/d to Saudi Arabian output. The various fields may even make up one large reserve of ultra-light crude.

Petrochemicals is the kingdom's second-largest industry. **Lara Marlowe** reports

Natural gas offers a base for expansion

THE GULF crisis has been a mixed blessing for Saudi Arabia's petrochemicals industry. After falling earlier in the year, world prices have risen by 50 to 100 per cent since August 2.

"We are expecting better results than previously foreseen," says Mr Ibrahim bin Salamah, vice-chairman and chief executive officer of Saudi Basic Industries Corporation (Sabic), whose affiliates produce the bulk of Saudi petrochemicals.

"Prices began to rise in the third quarter. Our production is normal but demand is increasing. We expect our year-end results to show a SR3bn profit, of which SR2.5bn will come from petrochemicals," says Mr bin Salamah. Sabic declared net profits of SR3.2bn in 1989.

Until the Saudi government hired Bechtel to design the industrial cities of Jubail and Yanbu in the 1970s, the kingdom burned off the natural gases associated with petroleum production. But careful planning, the availability of raw natural gases and close to $30bn in investment have made petrochemicals the kingdom's second industry after oil. With fully-paid capital of SR10bn, Sabic is one of the world's 10 most profitable petrochemicals producers.

Although the Gulf crisis has pushed up shipping and insurance prices and made recruitment of foreign workers difficult, it has underscored the advantage of using natural gases rather than liquid gases as basic feedstocks. Many petrochemicals producers outside Saudi Arabia rely on liquid naphtha, the price of which is closely tied to that of crude oil.

Because Saudi producers have until now used only ethane and methane – which Sabic purchases at the Saudi market price of $24-$26 per ton – Sabic's advantage over competitors in non-oil producing countries has grown as naphtha prices rose and the increase in Saudi oil production guaranteed almost limitless supplies of domestic feedstocks.

"The increase in Saudi petroleum production gives us the assurance that the raw materials we need for expansion are available," says Mr bin Salamah. As oil production declined in the 1980s, Saudi Arabia had been forced to drill gas wells to maintain adequate supplies for the petrochemicals industry.

Mr bin Salamah says that the Gulf crisis has not affected the corporation's $4bn-$5bn five-year expansion plan, which includes:

- Petrokemya, the Arabian petrochemical company which is wholly owned by Sabic, is building a $1bn flexible feedstock cracker in Jubail based on liquid gases. The cracker will add 500,000 tons of ethylene capacity and introduce propylene, butadiene and benzene by 1993. Some $400m has been committed on long lead equipment from abroad
- The Ar-Razi plant in Jubail will double methanol production to 1.2m tonnes in 1991
- The Ibn-Hayyan National Plastic Company is to raise PVC production from 200,000 tons to 300,000 tons in 1991.
- Sabic recently signed a licensing agreement with Union Carbide to manufacture polypropylene at the Ibn-Zahr complex in Jubail. The new plant will produce 200,000 tonnes under license from 1993.
- An ammonia-granular urea manufacturing complex in Jubail, built by the Saudi Arabian Fertiliser Company (Safco) and Chiyoda of Japan, will add 500,000 tons of ammonia and 600,000 tons of granular urea to Sabic's output from early 1993.
- Two projects for more production of methyl tertiary butyl ether (the leading octane additive for unleaded gasoline worldwide) were finalised in October 1990.

The projects at the Ibn-Sina and Ibn-Zahr plants will result in an additional 500,000 to 600,000 tons production capacity. Ibn Zahr is 30 per cent European-owned.

Mr bin Salamah also points to the expansion of oxygen and nitrogen producing facilities and additional styrene production at the Saudi Petrochemical Company (Sadaf) from 1991.

One western diplomat questions the wisdom of building the liquid feedstock cracker at Jubail to create a wider range of by-products. "They may be over-diversifying. But then everyone was sceptical when the Saudis first went into petrochemicals, because the market was weak. They could surprise us again. They can make things no-one else can, and they can co-locate all of their production in one spot."

As the main petrochemical producer in the Gulf Co-operation Council (GCC), Saudi Arabia hopes to see the conclusion of an EC-GCC free trade agreement before the European single market is established.

"There is some progress and we are very hopeful", Mr bin Salamah says. "About 18 per cent of Sabic's petrochemical exports go to the EC. If an agreement is reached, it would help us to maintain those exports at the same level and it would encourage competition within the EC countries. At present, the big companies in Europe are trying to maintain a monopoly."

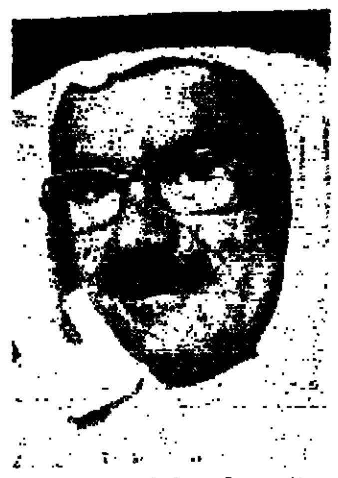
If they have to pay tariffs in Europe, the Saudis want to secure access for their derivative products. Europeans fear that once the EC-GCC free trade agreement is reached, Europe will become a target market for Saudi petrochemicals, because the GCC is trying to diversify from Asia, which purchases more than one-third of Saudi petrochemicals.

"We want to have fair access to industrial countries," says Prince Abdullah bin Faisal bin Turki, secretary-general of the Royal Commission for the industrial cities of Jubail and Yanbu. "I believe it will be settled this year. It's been unfair to us because we did a lot to help industrial countries through our oil pricing policies. They owe us one," he says.

The threat of war – and the concentration of Saudi petrochemicals plants in the potential war zone of the Eastern Province – is a subject upon which Saudi executives prefer not to dwell.

But Mr Ronald Swofford, the US senior vice-president of Sadaf – which is half owned by Pecten Arabian, an affiliate of Shell Oil of the US – says that the company cannot ignore the risk of war.

"We have taken measures to ensure that stocks of explosive materials – things like chlorine – are down", he says.



Ibrahim bin Salamah: expects better results

"We have reduced our inventory. It puts us in a little bit of jeopardy if an upstream producer goes down. But we have not reduced production.

"The anticipation of recession and the uncertainty of the Gulf crisis mean that nobody knows what will happen. Our cash costs of production are lower, but our initial investment was higher. When things get tough, someone else will have the cash bind," he says.

Lara Marlowe looks at the uncertain future for the large migrant workforce

Reliance on foreigners is re-examined

The construction sector has made great use of foreign workers

THE Pakistani driver was good at mathematics when he was at school in Islamabad. Asked how long he had been in Saudi Arabia, he replied: "10,456 hours, 627,360 minutes, or 37,641,600 seconds. Take your pick. This is the only country in the world where you count every second and minute."

The driver's homesickness and alienation are shared by many of the millions of expatriate labourers in Saudi Arabia. "They are Arabs like me, but I don't understand them," a Tunisian hotel clerk said of his Saudi employers. You don't live in this country. You just work."

Saudi officials and western diplomats in Riyadh estimate that 50 per cent of the kingdom's inhabitants are expatriate workers. The question of demography is so sensitive, a Saudi official said, that the government did not release the results of the last census in 1973.

Western diplomats say the tradition of imported labour goes back hundreds of years, to the time when moslems making the pilgrimage to Mecca began staying on as slaves for bedouin rulers in what is now Saudi Arabia. Slavery was abolished in 1962.

Now growing unemployment among Saudi men, the realisation that foreign workers may not want to risk their lives if war breaks out in the gulf – even for wages several times higher than they could earn in their own countries – and the example of Palestinian guest workers who turned on their former employers in Kuwait have again forced Saudis to re-examine their own reliance on foreign labour.

For the past decade, the Saudi government has attempted to "Saudi-ise" the country's work force. The programme has met with a degree of success in mid-level clerical jobs, where predominantly Indian and Pakistani bank tellers and administrators have been replaced by Saudi graduates. In some large Saudi corporations, westerners have been nominally demoted from top executive positions to make way for Saudis.

Because workers from developing countries accept lower wages than Saudis, and because skills at the least and mostly highly-specialised extremes of the job market are not readily available among Saudi men, saudi-isation can be a costly and frustrating undertaking.

Mr Abdallah al-Assaf, the president of Saudi Petrochemical Company (Sadaf) said that 70 per cent of his employees are Saudis. "When the plant was built, we sent hundreds of young Saudis to the US for training," he said.

"Then we started doing our own in-house training. It takes us up to a year and a half to teach English as a second language, and several years for the overall training programme. Our competitors would get someone into the job in 30 days." Mrs Abeer Salama, one of the kingdom's few businesswomen, employs 2,000 people in her bakery, construction company, marine repair yard and computer training institute. But less than half a dozen of them are Saudis. She employs three men full-time just to deal with immigration bureaucracy for her mostly Asian work force.

"Of course I would rather have Saudis work for me, but I can't because we have no labourers in Saudi Arabia, we have only engineers."

Until recently, poor Arab and Asian workers were allowed to bring their families with them to Saudi – on the grounds that earnings would stay in the kingdom and stimulate the economy. But religious conservatives feared foreign women and children would dilute Saudi society and the immigration of dependents was discouraged.

The practise of employing foreign women to care for Saudi children is one of the few social issues openly debated in Saudi newspapers, which seasonally publish editorials decrying the custom.

"Filipino and Indonesian maids even go to mothers' meetings," a businessman in Jeddah said. "I know some Saudi kids who speak Indonesian. If we are going to have all these foreigners here, there will be interaction. It cannot be avoided."

Until oil prices began to fall in the 1980's, westerners in the kingdom commanded three times the salaries they would have earned at home. Today, they are earning perhaps only twice as much.

In May of this year, there were 30,000 Britons and 26,000 Americans in the kingdom. In Riyadh, they are employed as commercial consultants, in Jeddah as importer-exporters and in the Eastern Province in oil and petrochemicals.

Over the past decade, Saudi Arabia attempted to save money by hiring Egyptian doctors and Filipino nurses to replace westerners. Contracts were reduced by the Saudis to a maximum of one year, to enable them to control and reduce wages. An attempt to tax foreign workers was abandoned when employees threatened to resign en masse.

Until the gulf crisis, at least 1.5m Yemenis worked in the kingdom. They were allowed to travel freely across the Saudi-Yemeni border, without visas. But because of Yemen's support for Iraq, the Saudi government declared in September that Yemenis would have to obtain visas and Saudi sponsors, like other foreign workers. The Yemeni government ordered Yemeni workers to return home, at least half are said to have left the kingdom.

Many Arab workers in Saudi Arabia have spent most of their lives in the kingdom. They claim their children are not allowed to attend Saudi universities, and hope that by staying on through the gulf crisis they may prove their loyalty and gain Saudi nationality.

Just as the kingdom relies on their labour, poor Asian nations need remittances sent home from Saudi Arabia. When the Filipino government stopped all visas for maids and nannies travelling to the kingdom on the grounds that Filipino women had been mistreated, the Saudi government threatened to block all Filipino workers. The Philippine government backed down.

In spite of fears of adverse cultural influence, most Saudis believe that the sheer number of different national groups employed in the kingdom prevents any single group of foreign workers from threatening the country's stability.

WOMEN

No driving ambition, but successful

The future for Saudi businesswomen, as with other social issues, may hinge on the outcome of the Gulf crisis

EVERY morning, 32-year-old Mrs Abeer Salama steps from a curtained chauffeur-driven car through a locked steel gate in a back street into the headquarters of the nationwide group of five companies which she founded as a teenager.

The main entrance is around the corner, but as a Saudi woman, Mrs Salama is not allowed to mix with her 1,190 male employees. There are no connecting floors or passageways between her offices, with 10 female staff, and the adjacent, male-operated accounting department.

A closed circuit television set on Mrs Salama's secretary's desk allows her to supervise the mood without being seen. Mrs Salama's two factories and offices around the kingdom are all equipped with same system.

Strict adherence to Islamic precepts, family connections, determination and ambition, have enabled Mrs Salama to achieve what few Saudi women have.

Although she kept her maiden name when she married six years ago, and earns between SR5m and SR6m in profits each year, Mrs Salama rejects feminism and demands for the right to drive expressed by some Saudi women.

On the rare occasions that she visits her factories, she is covered from head to toe in a black veil and abayah. She has never spent more than one week at a time outside the kingdom. Her husband, Mr Zaki al-Amran, an interior ministry official, helps her by inspecting her electronic bakery in the Jeddah industrial estate every evening. The bakery produces 500,000 loaves of Arabic bread each day.

No one could doubt Mrs Salama's Islamic credentials. Koranic inscriptions hang on the walls of her office and she says that she prays "for guidance" after each feasibility study.

For four generations, Mrs Abeer Salama's male antecedents have been the royally appointed harbour masters of Jeddah, the kingdom's busiest port. One uncle was the Saudi ambassador to Paris, another served 16 years as the mayor of Jeddah.

"My mother always pushed me when I was a child", says Mrs Salama. "I opened my first bank account when I was 12. I saved 30,000 riyals from my allowance and the Riyadh bank lent me another 20,000 riyals to start a construction company when I was 15."

In 1978, when she was 20, Mrs Salama asked the Saudi Ministry of Finance for a loan from the Industrial Development Fund. She recounts her experience with pride. "The official said he didn't know whether women were considered Saudi nationals for loan purposes. So I telephoned [then] Crown Prince Fahd.

Mrs Salama rejects feminism and demands for the right to drive

"I told him the whole story and I said I just wanted to build the bakery and then I would stop. He said 'No, you must continue.' I said 'could you please explain that to the finance ministry?' Two weeks later I received a loan for 6m riyals – and I didn't have to give any bank guarantees."

In 1980, Mrs Salama established a computer training institute with separate facilities for men and women. She recently obtained government classification certificates for two of her five companies, making them eligible to submit tenders for construction and training contracts of up to SR100m. She has received a SR20m contract for a training centre in Bishah and another SR3m contract for training Saudi Aramco employees in Dahran.

In Jeddah, Saudi Arabia's most liberal, westernised city, 700 women hold commercial registers. But officials estimate that less than 10 per cent are active businesswomen and most of these cater to female beauty and clothing needs.

"Very few work in 'real' business," Mrs Salama says. She has little sympathy for Saudi women who complain about the obstacles to women doing business. "Saudi women don't know what they want. They have to plan better. Most of them just spend their husbands' money."

Dozens of female entrepreneurs, particularly in Jeddah, have tried and failed. One woman imported health food. But because she could not go in person to the port, she was unable to extricate her merchandise from Saudi customs before the expiry date. After four years she sublet her business to a man.

As a woman, Mrs Azza Raslan, a certified public accountant who trained with Arthur Young in London, is not allowed to join the processional accountants association. She was, until recently, the Jeddah manager of the women's branch of the Saudi Cairo bank. "I left because I didn't see any growth," she says. "We were supposed to be establishing completely separate but parallel banking services for women, including credit facilities. Every time we got half way there, the rug was pulled out from under our feet."

About three years ago Mrs Raslan helped to arrange a seminar for women entrepreneurs with the Jeddah chamber of commerce. "It was very daring and adventurous," she says. "The chamber of commerce realised there really were problems."

Perhaps the greatest difficulty for Saudi businesswomen is the law requiring them to designate a male executor with power of attorney for their business. A man must assure any debts incurred and must represent the businesswoman in government offices. "If you have a clever executor to represent you, you can make it," Mrs Raslan says. "But you must do all your work by proxy."

Through the chamber of commerce, the Jeddah women eventually gained access to a seminar held by the ministry of petroleum. Women who attended said they realised how much information they had been missing. But the reaction of male participants was overwhelmingly negative.

"This is very sensitive," says Mr Tarek Sadek of the Jeddah chamber of commerce, who was assigned to assist women entrepreneurs. "In the end, we decided there would have to be a separate chamber of commerce for women. We wrote to the government but we have not received an answer."

At present women are allowed into the chamber of commerce library one weekend morning each week, a measure which many feel is insufficient. Some dispute Mrs Salama's contention that a woman can learn everything she needs to know by fax and telephone.

Like everything else in the kingdom, the future of Saudi businesswomen now hinges on the outcome of the Gulf crisis.

"The crushing of the women's driving protest in Riyadh (on November 6) was a way for the conservatives to express opposition to the presence of American troops here," says an official at the chamber of commerce.

"Until this balance between religious conservatives and liberals is settled, the status of businesswomen will not be resolved."

Lara Marlowe

The Saudis are a conservative people, writes **Michael Field**

Slow road to social reform

THE FIRST week of November was an extraordinarily active one in the normally uneventful world of Saudi Arabian politics.

On November 6, a group of 47 women drove in convoy through the streets of Riyadh. Their act was a rare example of public protest in the kingdom, in this case aimed at having the king say that women should be allowed to drive. There was, at the time, no ban on women drivers, but it was not the custom.

In due course, the women drivers, who had international licences, which Saudi Arabia recognises, were stopped by the police and returned to their fathers and husbands, while family chauffuers drove the cars home.

A few days later, six of the women who taught at Riyadh University were dismissed and the government had some leading jurists give an opinion that women driving was definitely not right. It let it be known that the women's demonstration had been badly timed.

Two days after the original demonstration, King Fahd had taken a political initiative. He summoned newspaper editors and told them he would soon be announcing the establishment of an appointed consultative council, together with a "law for ruling" (a form of secular constitution) and a decentralisation of provincial government.

All of these changes have been promised for 10 years. How important they will be in practice will depend on the details, in particular on who is appointed to the consultative council and how much power it is given.

The timing of both the women's demonstration and the king's announcement was influenced by the Gulf crisis. This has brought a change in the social and political mood in the kingdom, though in ways more subtle than were mentioned in the world's media at the beginning.

At first, it was the influence of the US forces that attracted attention. Saudis were impressed to discover that there were US women soldiers – who drove vehicles – and as a businessman in the Eastern Province town of Alkhobar said: "The next day we thought we'd see them in the streets in bikinis."

But the women turned out to be something of a "nine-day wonder." They are now either in the vast Saudi desert or in the base area at Dhahran, which has always been more of an oil company encampment than a Saudi town. From the point of view of ordinary Saudis, they are scarcely visible.

Similarly, the US forces are less controversial than it was first feared.

Some religious leaders worry about their presence in the country that has the holy cities of Mecca and Medina. They are unhappy about seeing foreigners with guns and suspect they may import alcohol. Many Saudis think that the Americans will try to keep a base in the kingdom when the crisis is over.

For the time being, however, the Saudis, who see themselves as a nation of traders, are delighted with the protection and the business opportunities the forces have brought.

They feel more confident in the long-term future of their country now that they know that in a crisis their friends in the west will protect them.

The really important change is the new feeling Saudis have that they can talk about sensitive issues openly.

Since the invasion, they have been asking what happened to the enormous sums that went into the defence budget in the last 10 years; part of the answer is that they built the over-large bases that are now accommodating the multinational force.

People have been saying that the government should be more accountable. They have been wondering how Kuwait came to be lost and whether their country's policies towards Iraqi President Saddam Hussein over the last 10 years would have been different if they had had a free press.

One response to this debate has been the king's announcement of the consultative council, Majlis al Shura. Another has been a change in official attitudes to the media – though this, like the impact of women soldiers, can be exaggerated.

It is certainly easier for foreign journalists to get into the country but there is still censorship of alcohol advertisements, pictures of men and women together, and articles on Saudi Arabia.

The Saudi press still says very much what the government wants it to say, though the line defining what is permissible has been drawn in a different place.

Criticism of other Arab governments is now allowed, though reporting of national government views is confined to stating whom the king met at the airport, with never a detail of what he discussed later.

The Saudi intelligentsia – the people whom westerners meet and talk to – would like to see the press made more free. It would also like greater freedom for women, who are discouraged from working and travelling on their own, as well as driving, and it would like less interference from young religious zealots. These people have taken to checking that offices close at prayer-times and upbraiding anyone they consider to be improperly dressed in public.

The problem for the reformers is that they are in a minority

Other complaints of westernised Saudis have been that princes in government are too much involved in business and that – up to now – there have been no formal democratic institutions.

The informal consultation of the Saudi royal family with its people takes place every day in the majles (council chambers) of the princes, where Saudis – normally from the humbler walks of life – present petitions and ask for the princes' arbitration in disputes.

This form of consultation keeps the royal family in contact with a very large number of its subjects, but it is irrelevant to the new Saudi bourgeoisie.

The people in Saudi Arabia who want change are mostly rich and are hardly revolutionary. They certainly do not want a completely new type of government. There is a consensus in Saudi society that any regime bar the house of Saud would lead to fragmentation and chaos.

The problem for the reformers, who include many of the younger princes, is that they are in a minority.

The Saudis, as a whole, are among the most conformist and conservative people in the world. They are not, as westerners sometimes imagine, yearning to live in a liberal society, even though many of them enjoy the pleasures of western societies when they go on holiday.

The majority of Saudis would not vote for women being allowed to drive because they would agree with the religious leaders that this would make women more independent and weaken the family, which in Saudi and Islamic eyes is at the heart of a happy and stable society. Nor would most Saudis favour the royal family curbing the excesses of religious zealots.

The people who feel this way are not just the ulema – the religious scholars, judges and teachers – nor the less well-educated and more aggressive members of the Committees for the Commendation of Virtue and the Condemnation of Vice.

They are a range of Saudis, from tribesmen in the desert and the provincial towns to conservative businessmen, who feel the pace of change has been too fast in the 20 years, to western-educated youths who are searching for an ideal and have adopted an austere, conservative Islam as something which they feel comes from their own culture.

There is no question that the royal family could force change on Saudi society if it wanted and there is no question that some political reforms, such as an assembly, a more informative media and a code for royal business activities would be universally popular. The fact that reform proceeds so slowly, therefore, is taken as an indication that the royal family itself does not favour it, believing (perhaps short-sightedly) that reform is not good for traditional monarchies.

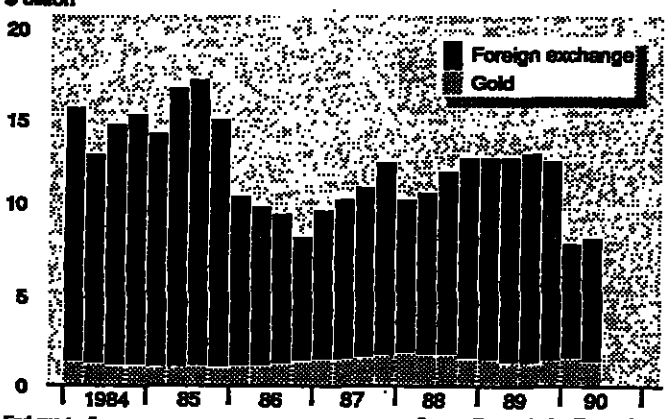
In social matters, if Saudi Arabia were to become a democracy, it would be an extremely conservative one.

KEY FACTS

Area	2,240,000 sq km	
Population	14.4m (1989 estimate)	
Head of State, Prime Minister	King Fahd bin Abdel-Aziz al-Saud	
Currency	Saudi riyal (SR)	
Average Exch Rate	1989 $1=SR3.745	

ECONOMY	1988	1989
Total GDP ($bn)	75.3	78.4
Real GDP growth (%)	6.4	0.4
GDP per capita ($)	5,370	5,433
Components of GDP (%)		
Private Consumption	49.1	na
Gross Fixed Investment	20.2	na
Increase in Stocks	2.2	na
Government Consumption	32.7	na
Exports	36.6	na
Imports	-40.8	na
Consumer prices (% change pa)	1.0	1.2
Reserves minus gold ($bn)	20.5	16.7
Narrow Money growth (% pa)	1.8	4.3
Broad Money growth (% pa)	5.6	4.3

Reserves



End quarter figures — Source: Economist Intelligence Unit

	1988	1989
TRADE		
Current Account Balance ($bn)	-6.8	-4.0
Exports - total ($bn)	24.2	27.1
(of oil and petroleum products)	23.4	26.0
Imports ($bn)	21.2	21.1
Trade Balance ($bn)	3.0	6.0
Main Trading Partners (% of total value)		
EXPORTS		
US	21.8	na
Japan	16.9	na
IMPORTS		
US	16.2	18.2
Japan	16.0	14.2
UK	7.3	10.2
OIL		
Production (m barrels/day)	5.2	5.3
share of world total (%)	8.5	8.3
Proved reserves (bn barrels, end year)	170.0	255.0
share of world total (%)	18.6	25.2

Source: IMF, Economist Intelligence Unit, BP Statistical Review of World Energy

Tony Walker finds a new assertiveness in foreign affairs

A robust policy takes shape

NOTHING quite so epitomised the sterner Saudi Arabian approach to dealing with its fellow Arabs over the Gulf crisis than the exchanges between Prince Saud al-Faisal, the Saudi foreign minister and the PLO's Mr Farouk Kaddoumi in Cairo on the day that Iraqi tanks rolled into Kuwait.

Meeting at Cairo's Semiramis hotel on the banks of the Nile – both men happened to be in the Egyptian capital for a gathering of Islamic Conference Organisation foreign ministers – the Saudi aristocrat and the dour PLO official engaged in a blistering argument about the rights and wrongs of the Iraqi invasion.

By all accounts the US-educated son of the late King Faisal gave as good as he got. This is no mean achievement since Mr Kaddoumi, who heads the PLO's "political department," and is effectively the organisation's foreign minister, has an acid tongue that has been used to effect with more than one Arab ruler in a turbulent career that goes back to well before the PLO was founded in 1964.

The exchange between Prince Saud, who has a reputation of being among the more pro-Palestinian of Saudi princes, and Mr Kaddoumi was not the last time the Saudi foreign minister was to engage the PLO and other pro-Iraq Arabs in sharp debate.

The question is whether these conspicuous signs of assertiveness by the 49-year-old Prince Saud represent a new tendency in Saudi foreign policy, or are merely a response to the crisis itself and the very real threat it poses to the ruling family.

On another level, and perhaps no less important, is whether Prince Saud's emergence as a more forthright spokesman for his country also indicates the beginning of a generational change in the Saudi ruling family – a sign that younger members are being given more leeway.

Saudi ire in the present crisis has been directed at Yemen and Jordan

Saudi officials say that evidence of a more robust Saudi foreign policy has been there for some time, but the world has been slow to take note. They date the new assertiveness to 1985, when the Reagan Administration, under pressure from the pro-Israel lobby, failed to deliver on promises to supply several squadrons of F-15 fighters.

The Saudis did not dwell on their disappointment. After securing written confirmation that the US could not deliver, they turned to Britain for Tornado aircraft and to China for "East Wind" missiles. "It was a time," recalls one official, "when Saudi-American relations were weaker. American support for Israel then was unprecedented."

Other straws in the wind, according to this official, included Saudi Arabia's decision to break relations with Iran in 1988, and its stand at the Amman Arab summit in the previous year over Egypt's readmission to the Arab League. "We told Syria," he remembers, "either you don't oppose Egypt's return to the Arab world, or we cut off aid."

Another indication of a more activist role was last year's Taif agreement in which King Fahd lent his own weight to efforts to fashion a political settlement to put a stop to the civil war in Lebanon. It was the first time since the early 1980's (when Fahd as Crown Prince advanced his own "Fahd plan" to resolve the Arab-Israel problem) he had been quite so active on a regional issue.

As one official observes: "The king tends to be cautious. At the end of the day he's the king and the buck stop with him, and don't forget he's seen the time when Saudi Arabia was weak and poor and there were questions whether we were going to survive".

Saudi ire in the present crisis has been directed particularly at Yemen and Jordan, and to a lesser extent the PLO who have supported Iraq to varying degrees. Thousands of Yemeni guest workers have been obliged to return home, PLO officials including the chairman, Mr Yassir Arafat have been declared *persona non grata* in the kingdom and financial aid in the form of cash and oil to Jordan has been stopped.

The Saudi media has calmed down since mid-October, but up to that point it had engaged in uncharacteristically vituperative criticism of Mr Arafat and King Hussein – reflecting the intense pique felt in ruling circles at what was seen as lack of gratitude on the part of individuals who had benefited from Saudi largesse over the years.

While Saudi Arabia, like its close Arab allies such as Egypt, is expected to work to restore an Arab consensus after the Gulf crisis subsides, there is also a feeling that Saudi policy makers will be much less bound by past traditions and notions of a faded pan-Arabism. As a young Saudi official observed: "The older generation talk about Arab unity, about being a Moslem, and about being a Saudi in that order," whereas the younger generation say, "I'm a Saudi, period."

The abandonment of consensus politics at the August 10 Arab summit in Cairo at which the decision was taken by a narrow majority to sanction the deployment of Arab forces in Saudi Arabia to confront Iraq, may turn out to be one of the more significant developments of the past few months. The striving for consensus at almost any cost had long paralysed Arab forums.

The Gulf crisis has overshadowed other extremely significant recent developments in Saudi foreign policy such as the re-establishment on September 17 of ties with the Soviet Union. They had been frozen, but not formally severed, in the late 1930s.

Relations with China were formalised on July 21 this year, and Mr Qian Qichen, the Chinese foreign minister visited Riyadh in early November.

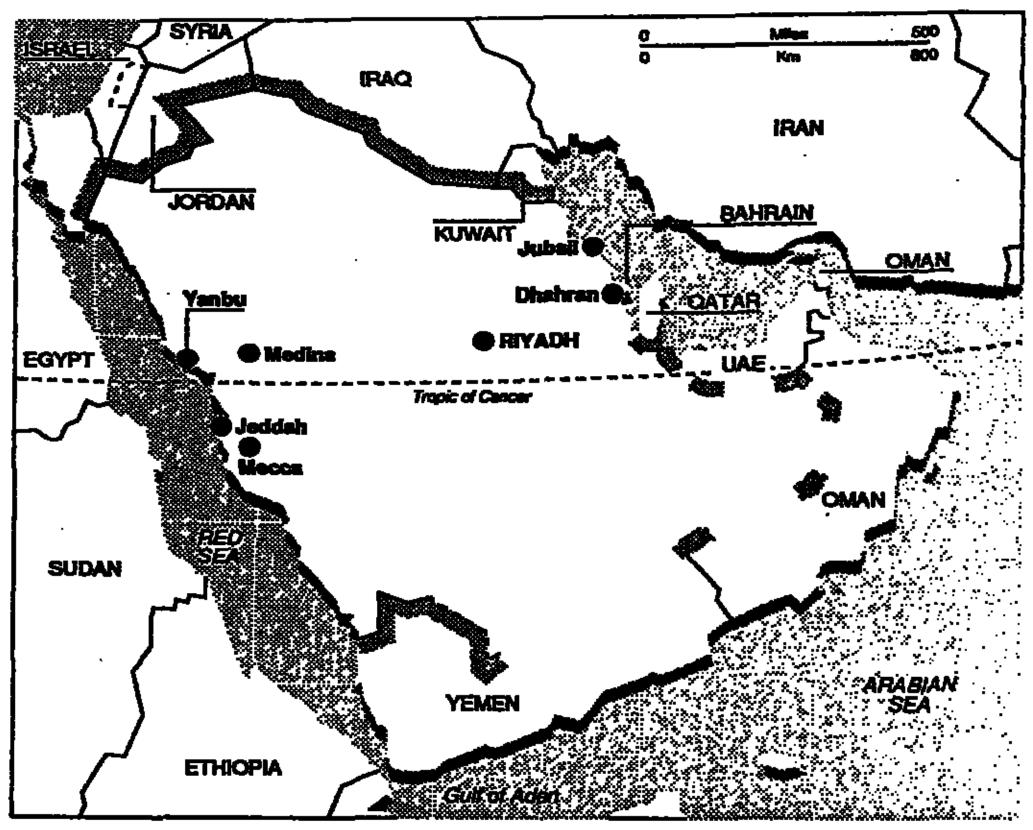
Saudi Arabia and Iran are also moving closer to re-establishing relations. Prince Saud met Mr Ali Akbar Velayati, his Iranian counterpart at the UN on September 20. A senior Saudi foreign ministry official was despatched to Tehran soon thereafter to discuss contentious issues such as the quota of Iranians who might be permitted to visit the kingdom for the hajj or pilgrimage, and what guarantees Iran might offer that its pilgrims would not engage in demonstrations and other disruptive behaviour, as they have in the past.

Scarcely has there been a period when Saudi diplomacy has been more active. Saudi rulers could be forgiven for yearning for calmer times, but for the moment this is not in the cards.

King Fahd: tends to caution

Arafat: persona non grata

The PLO's Farouk Kaddoumi, left, clashed with Saudi foreign minister Prince Saud at a meeting in Cairo



FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday December 12 1990

INSIDE

Polly Peck team may need extra time

The administrators of Polly Peck International are expected to seek a three-month extension of their deadline for producing a report on the affairs of the troubled UK fruit, electronics and leisure group. This would give them until April 25 to compile information for the document. Under normal administration procedures, they would be obliged to issue a report within three months of being appointed. Page 24

Gold star for copper mine

La Escondida in Chile is the richest copper deposit in the world, and a lesson in how mammoth projects can sometimes go completely right. The $1bn project was completed $150m under budget and in record time — the first batch of copper concentrates were shipped six months ahead of schedule. Robert Davies, the mine's financial director, expects La Escondida to make a profit in its first year, despite an impending US recession which promises to weaken copper prices. Page 25

Retailers shop for bargains

Warehouse clubs are all the rage in the US. These are not venues for the acid house generation, but discount houses for the retail sector. The clubs offer small businesses the chance to buy goods at well below the prices charged by traditional wholesale suppliers. This year the clubs are expected to clock up sales of about $22bn, compared with just under $18bn in 1989. Their success raises the question whether the retail heavyweights can afford to stay out of the game. Page 18

Clearing up differences

Merging London's two leading derivatives exchanges means melding two quite different trading cultures. One of the toughest tasks — developing a joint clearing and settlement system — has fallen to David Hardy (left), head of the London Clearing House which clears for all five of the City's commodity and financial futures markets. Page 22

Vaux advances by 13.5%

Sunderland-based brewing and hotels group, Vaux, yesterday reported a 13.5 per cent increase in full-year pre-tax profits. A robust performance by the brewing and pubs business confirmed the group's commitment to remain in brewing, said chairman Paul Nicholson. However, hotel operations were hit by the downturn in the economy. At J A Devenish, the West Country brewer, lower property profits led to a fall of nearly 20 per cent in full-year pre-tax profits. Page 23

Seven years and counting

The Goodman affair — the biggest company debacle in the history of the Irish state — has been bad news for everyone concerned. Among the biggest losers are Ireland itself, which has suffered extensive damage to its business reputation, and the 33 banks which lent I£500m ($907m) to Europe's biggest beef processor. Under the terms of this week's rescue package, the banks must wait up to seven years to recoup probably only about 80 per cent of their lendings. Page 24

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Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Varta	314.5	+	8.5	AXA	251.1	+	5.9
VDO Schin	186	+	16	Falls			
Falls				BHV	861	−	51
BASF	216.9	−	4.7	Eurotunnel	38	−	1.4
Daimler	589	−	6	Nouvelles Gal	720	−	54
Deutsche Bank	630	−	5	SAE	1152	−	19
Siemens	621	−	5.5	St Gobain	405	−	14.5
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
ISP	18⅞	+	2½	Isuzu	630	+	85
[illegible]	38¼	+	1⅛	Japan Metals	890	+	100
Occidental	22½	+	1¾	Nippon Kokan	770	+	100
Texas Inds	34½	+	¾	Nissoc Const	1830	+	180
Falls				Taiheiyo	830	+	55
Barton Inds	1⅞	−	1⅛	Toshiba Eng	1670	+	170
Compaq	55¼	−	2⅞				

LONDON (Pence)							
Rises				Campbell & Arm	80	−	5
Creighton	195	+	20	Dowty	161	−	10
Pilkington	169	+	6	GUS A	1100	−	38
Ramsden's (H)	75	+	7	Kingfisher	377	−	17
Smith New Ct	91	+	3	Northumber	41	−	8
TIP Europe	56	+	17	Scot & New	368	−	14
Falls				Sears	83	−	4½
Berisford Intl	17½	−	4½	Tiphook	358	−	10
Boots	327	−	14				
Cable & Wire	452	−	16				

Security Pacific sounds retreat

Alan Friedman looks at the US bank's decision to retrench

SECURITY Pacific is packing its bags and going home.

In the 1980s, the fifth-biggest US bank diversified aggressively from its base in Los Angeles. Its plan was to move, internationally as well as domestically, into securities and "merchant banking" — a catchall phrase that covered specialised commercial banking, investment banking and capital markets operations.

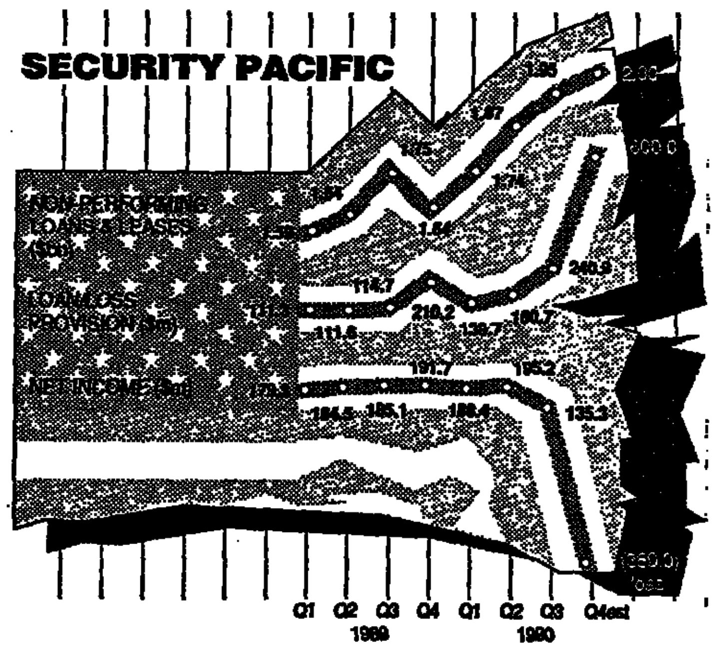
The strategy — which involved the purchase of the London stockbroker, Hoare Govett — was widely praised. Security Pacific was seen as pointing the way for banks to diversify.

Now, trapped by loan losses, runaway overheads and thin markets, it has decided to withdraw from Europe and Australia and to dismantle the merchant bank. It is retreating to its core businesses of consumer and corporate lending in the western US and in Asia.

The decision represents a strategic *volte face*, and a significant reduction in scale. Security Pacific is dropping 10 per cent of its 40,000 workforce and 8 per cent of its $88bn (£45.3bn) in assets. What remains of the merchant bank will be folded into the parent bank.

Security Pacific's restructuring comes against the background of a worldwide slowdown in the securities business and a capital squeeze on the US banking system. Other big US banks such as Chase Manhattan and Citicorp are also facing mounting loan losses and big cuts in staff numbers.

Yet Security Pacific has also fallen victim to its own ambition. The strategy a decade ago was to diversify the bank's earnings base; the goal was to achieve equal profits from three areas — California banking, nationwide financial services, and merchant banking. But Mr Robert Smith, the chief executive, admitted yesterday that the bank was unable to develop the kind of international "natural franchises" in



corporate lending and securities which it enjoys in its domestic retail banking business.

The architect of the move into securities was Mr David Lovejoy, the vice-chairman, who is now leaving the bank. The strategy led him to buy Hoare Govett in London, Burns Fry, the blue-chip Canadian investment bank, and McIntosh, the Australian securities house. Security Pacific's investment in the three firms has totalled $300m to $350m, says Mr Lovejoy.

"We certainly made a lot of mistakes along the way, such as getting into Eurobonds and fixed-income securities," he says.

After the 1987 stock market crash, he decided that direct ownership of a stockbroker was undesirable. "We were sitting there owning this struggling British firm and our classic American techniques didn't work. So I began to think there was something fundamentally wrong with us owning more than 50 per cent of a broker or investment bank," he says. Last year, Security Pacific decided to move the UK, Australian and Canadian firms from the merchant bank into a new holding company — Security Pacific Alliance.

Eventually, it was intended that the bank would own no more than 49 per cent of this holding company, with the rest owned by Japanese or German equity partners and the employees of the three firms.

In Toronto, Mr Peter Eby, vice-chairman of Burns Fry, says: "Security Pacific had perhaps too big a strategy in trying to do both commercial and investment banking at the same time."

"Nobody has really made an integrated global securities business work," he says, and adds that the Alliance concept "has been trying to get off the ground in a very poor environment".

With the Alliance concept floundering, Hoare Govett is now midway through a management buy-out of 51 per cent of the firm; the Security Pacific stake in Burns Fry will be raised from 30 to 49 per cent next year and the stake in the Australian firm will remain at 41 per cent. Mr Lovejoy says 1990 results from the three firms will be, respectively, a break-even, a small profit and a loss.

The most serious problems of the merchant bank, however, stem from its corporate lending activities. More than half of the bank's $600m fourth-quarter loan loss provision will come from problem property and corporate loans in Australia, the UK, Germany and Arizona. It is significant that Security Pacific is not reporting — or predicting — sizeable problems in California.

When the merchant bank is finally dismantled, almost 5,000 of its 8,200 employees will be moved to other parts of the bank. Some $17bn of assets will also be transferred internally. They include the Hong Kong-based Asian commercial bank, the Sequor securities processing business, the Security Pacific fund management unit and the US corporate finance and nationwide corporate banking businesses.

But operations in Europe and Australia are to go. Security Pacific's total assets will drop from $88bn to $78bn and 4,000 employees will be shed (3,300 from the merchant bank and 750 from Europe and Australia).

Mr Smith promises renewed profitability from the bank's core businesses following a fourth-quarter loss of $320m to $360m.

Security Pacific's retrenchment can be seen as part of a pattern, in which leading US banks back away from European markets, concentrate on core earnings and strengthen their balance sheets. Its sufferings are shared by others. Much of the pain, however, was self-inflicted. As one Wall Street analyst put it yesterday: "They made a mistake, and it was a very expensive mistake."

More job cuts likely: Eugene Anderson, chief executive

Ferranti optimistic despite interim losses of £20.4m

By Michael Skapinker in London

FERRANTI, the UK electronics group which fell victim to a £215m ($418m) alleged fraud by its US subsidiary, expects to be trading profitably by the spring, Mr Eugene Anderson, the chairman and chief executive, said yesterday.

Mr Anderson, who yesterday reported a half-year pre-tax loss of £20.4m, said the group would also record a loss for the full year to end-March 1991. He said, however, that he expected Ferranti to show a profit in the last months of the group's financial year, in spite of the poor economic outlook.

Mr Anderson also said that a dispute with the General Electric Company of the UK over the price paid for Ferranti Defence Systems would probably have to be decided by an independent accountant. GEC bought the business last January for £370m. At the time of the sale, Ferranti said that the business had net assets of £90m, but that it would refund the difference if the assets were found to fall short of this amount.

Accountants for GEC and Ferranti have been unable to reach agreement, Mr Anderson said. "The difference between the companies is significant enough that it is likely that we will appoint an independent accountant to make a ruling," he said.

Mr Anderson said Ferranti would probably make job cuts in addition to those already announced. The company has reduced its headcount by 1,762, apart from the businesses which have been sold. It has also announced a further cut of 432 employees from its worldwide workforce of 10,426. "It's certainly not going to end there. We've only begun the rationalisation process," Mr Anderson said.

Turnover for the half year to September 30 was £251m, compared with £419m for the same period last year. Of the £168m fall in sales, £145m relates to businesses which have been sold.

The operating loss was £13.8m, which included exceptional charges of £12.4m following the re-evaluation of contracts and stocks. Borrowings have been reduced from £275.5m at the end of March this year to £85.3m.

The loss per ordinary share was 2.59p against a loss of 1.92p in the previous year. No interim dividend was declared.

BPA sale lifts Portuguese spirits

By Patrick Blum in Lisbon

PORTUGAL'S privatisation programme regained its momentum yesterday with the successful completion of the sale of a 33 per cent stake in the Banco Portugues do Atlantico (BPA), the state-owned — and largest — commercial bank.

The partial flotation, completed during a special session on the Oporto stock exchange, was a relief to the government, which feared a repetition of last month's privatisation of Unicer, a brewing company. Underwriters were left with 35 per cent of the shares due to lack of interest from investors.

The privatisation programme is important to Portugal's centre-right government, which wishes to reduce its budget deficit and to expose state companies to market forces.

Demand exceeded the 6.6m BPA shares on offer by about 20 per cent, and the government raised Es49.7bn ($382m) from the sale with an average price of Es7,538 per share. Nevertheless, demand had been much stronger in previous privatisations.

—To head off another failure, the government and the bank launched an unprecedented publicity campaign and organised separate launches in Oporto and Lisbon for the issue.

The government also discreetly encouraged several large Portuguese investors, including two major state-owned companies earmarked for privatisation, to take a stake in BPA. The bank's employees were offered credit to help them buy shares.

Several big domestic investors, including a group of the BPA's senior managers, had declared their intention to seek a stake in the bank. According to initial reports Mr Belmiro de Azevedo, a northern entrepreneur, appears to have secured the largest single sharing with 3.2 per cent of BPA's total share capital.

Foreign investors were limited to a maximum 5 per cent of privatised shares, representing about 1.5 per cent of the bank's share capital, and international demand was low. The bank's privatisation is due to be completed next year.

SCA buys MoDo stake in SKr1.4bn forestry alliance

By Robert Taylor in Stockholm

TWO of Sweden's biggest forestry groups yesterday agreed a SKr1.4bn ($257m) deal to forge a strategic alliance in the European forestry industry. SCA, Sweden's second-largest pulp and paper company, is to become the largest shareholder in MoDo, the country's third-biggest forestry group.

The two are to co-operate in key production areas. There are no immediate plans, however, to merge MoDo into SCA to form a company comparable in size to Stora, the acquisitive Swedish group and Europe's biggest forestry company.

SCA, like Stora, has pursued an aggressive strategy of mergers over the past two years with the aim of strengthening its position nearer its customers inside the European Community.

SCA's largest purchase was the £1.05bn deal for Reedpack, the UK paper and packaging group, in June. It also tried to buy Feldmühle Nobel, the West German forestry group, which was acquired this autumn by Stora for SKr14.5bn.

SCA said the crucial factors in its decision to buy into the group were the successful restructuring of MoDo over recent years and signs of an improved investment climate in Sweden following the country's declared intention to join the EC. The company also cited an apparent reprieve for the phase-out of nuclear power in Sweden, which would help keep down costs.

The two companies plan close collaboration in printing paper production and possible future co-operative investment in paper mills. SCA said it had been looking at the possibility of a collaborative link with MoDo for the past six months in the printing paper area.

In a complex deal, SCA is paying SKr1.4bn for 32 per cent of the voting rights and 16 per cent of the equity capital in MoDo. SCA paid SKr550 per share compared with a current market value of SKr170 a share.

SCA bought the personal holding of Mr Matts Carlgren, MoDo chairman, for SKr740m, and part of the stake owned by the Marieberg publishing group for a further SKr700m. But SCA, through a close alliance with the Kempe family holding in MoDo, will control just over half the voting rights and about 26 per cent of the equity capital in MoDo.

A counter bid by the Swedish financier, Mr Fredrik Lundberg — whose company is the second-biggest shareowner in MoDo — was withdrawn when it became clear that Mr Carlgren and the Marieberg group preferred to sell to SCA. Mr Bo Rydin, SCA chairman, and Mr Sverker-Martin Löf, chief executive, will join the MoDo board.

Mr Rydin said yesterday that SCA did not intend to increase its share ownership in the company any further. "The purchase of MoDo shares has stretched our financial position," he said, adding that SCA intended to sell SKr5bn worth of assets over the next six to 12 months.

Yesterday's SCA deal is a bitter blow for Mr Carlgren, ending his dream of consolidating MoDo in the big three paper and pulp companies in Sweden.

Jamison Equity eyes Fairfax

By Tim Blue in Sydney

AN AUSTRALIAN investment company has emerged as a possible buyer of the John Fairfax Group, the media group which went into receivership on Monday. Mr Robert Maxwell, the British publisher, and Pearson, publisher of the Financial Times, are also interested in parts of the group.

Jamison Equity, through managing director Mr Chris Corrigan, has told the receiver's office that it is interested in making an offer to acquire the John Fairfax Group.

Mr Corrigan is a former managing director of BT Australia, the merchant bank. The unlisted Jamison Equity was formed last April after raising $220m (£113m) from Australian institutions.

Mr Corrigan drew public declarations of support from the Fairfax management. He said that Jamison investors had shown "keen interest" in advancing funds to buy Fairfax.

He added that Fairfax could be bought for less than $A1.2bn in the current economic climate. "But if it were valued at $A1.2bn the acquisition could be funded by a mix of $A900m debt and $A300m equity," he said.

British publisher Robert Maxwell reaffirmed his interest in The Age newspaper in Melbourne, describing it as a very fine asset.

Mr Bob Hawke, the prime minister, said at a news conference that the Australian government would prefer Fairfax to remain in Australian hands, adding that the government would consider a partial sale to foreign interests.

The late Robert Holmes à Court was once a keen suitor of Fairfax. His widow Janet recently expressed interest in regaining the Perth-based daily The West Australian. It is believed her tender was unsuccessful.

General Motors to enter cellular phone business

By Nikki Tait in New York

GENERAL Motors, the largest US vehicle manufacturer, yesterday announced plans to push into the cellular phone business.

The company is launching a series of digital cellular products by its Hughes Aircraft subsidiary and a marketing initiative which will use the GM dealer network.

Some of GM's competitors, such as Ford and Chrysler, use their dealer networks as sales agents for cellular phones and services.

Hughes Network Systems, which is a large supplier of digital telecommunications networks, will run the venture.

HNS will supply cellular switches and cell site equipment, on a turnkey basis, to cellular carriers. In addition, the GM subsidiary has signed a long-term agreement with Alcatel of France to provide the switching equipment.

It added yesterday that the new phones would be able to handle both analog and digital transmission, and claimed that "new, state-of-the-art" digital cellular networking and switching equipment should increase network capacity significantly.

This, in turn, would help to ease the problems of static, lost signals and failures to get connections because of jammed relays.

GM also said that Delco Electronics Corporation, another part of GM Hughes Equipment, was working with Hughes on the development of a new line of digital cellular telephones for GM vehicles.

Hughes and Delco plan to establish a national cellular service network for GM customers.

The aim is to use local GM participating dealerships to provide "one-stop shopping", allowing purchasers of new GM cars and trucks to buy the cellular service from the same dealer.

Heinz lifts after-tax profits to $139.8m

By Nikki Tait in New York

H. J. HEINZ, the large US food group, has pushed up after-tax profits by 11.5 per cent in the three months to end-October to $139.8m, despite a more modest 7.4 per cent improvement in sales, to $1.64bn.

At the earnings per share level, the profit advance translates into a 10.6 per cent rise, to 52 cents.

Heinz said yesterday the turnover improvement largely reflected price increases, plus the beneficial effect of foreign exchange translation. Sales volume overall was described only as "stable".

The company did not break down its figures, but it did add that the European operations continued to show particularly good progress. About 40 per cent of Heinz's business is outside the US, and Europe accounts for a large part of this.

Heinz also sounded a relatively cheerful note about two areas of its operations which have been hit by strong domestic competition. It said that in the weight-control products business, there were some signs of "pricing flexibility" returning to the market.

Heinz, which sells under the Weight Watchers brand name, also plans to launch a new programme of diet products in the new year.

On the pet food front, where price competition has been particularly intense, Heinz maintained that there were too many brands on the market, but claimed there were some signs of stability returning to the marketplace.

For the first six months of its fiscal year, Heinz has now turned in profits of $283m after tax, compared with $251.9m in the first half of 1989. The group's chairman, Mr Anthony O'Reilly, said he was confident of "satisfactory" full-year growth.

● Kellogg, the US foods group, expects 1990 net earnings to exceed the $3.85 a share earned the previous year, Reuter reports.

"We expect to make our internal goals for the year, which would be an increase over last year," said Mr William LaMothe, the chairman.

He would not specify the exact amount, but said he was comfortable with analysts' estimates.

They have projected that the cereal maker would earn about $4 per share in 1990.

Mr LaMothe said the company's 1990 share of the US ready-to-eat cereal market would be about 38 per cent, down slightly from 1989's 39 per cent.

He added that Kellogg's share of the international cereal business would remain more than 50 per cent and was likely to improve as that market continued to prosper.

Court hitch in AT&T bid to take over NCR

By Alan Friedman in New York

AMERICAN Telephone & Telegraph (AT&T) has suffered a minor setback in its battle to take over NCR, the fifth biggest US computer maker, when a Maryland judge dismissed a lawsuit filed by AT&T last week that sought a relaxation of the state's merger laws.

The AT&T suit sought to get around the law in Maryland – where NCR is incorporated – that would normally impose a merger moratorium of three years since the board of NCR did not approve AT&T's offer in advance.

The suit argued that the Maryland statute should not apply to the solicitation of proxies, a possible future AT&T tactic in the battle for NCR.

The judge in Maryland dismissed the suit, without prejudice, on the grounds that it was premature since AT&T had not yet tried a proxy fight. NCR said it was pleased with the dismissal, but AT&T said it was not troubled by the ruling because it was not made on the merits of the case; AT&T could therefore still re-introduce the suit later.

However, a similar suit, filed by NCR and seeking to uphold the merger moratorium clause, will be heard soon by a judge in NCR's home town of Dayton, Ohio.

AT&T meanwhile announced that it had obtained bank commitments to provide a $6bn credit facility for its hostile $90-a-share cash tender offer for NCR. The telecoms company spoke of an "overwhelming positive response from the financial institutions".

But this was not surprising given the dearth of blue-chip lending opportunities for big US banks.

NCR has approached various investment banks including Goldman Sachs and Dillon Read about joining its team of anti-takeover defence advisers. These include the law firm of Weil, Gotschal and Manges. An NCR board meeting will be held in the next few days to formally reply to AT&T's bid.

Roman Corp takes further writedown of C$44.6m

By Robert Gibbens in Montreal

ROMAN CORPORATION, the large Canadian holding company formed by the late mining millionaire Mr Stephen Roman, took a further C$44.6m (US$39m) writedown of investments in the troubled Standard Trustco in the third quarter.

With earlier write-offs, Roman reported a nine-month loss of C$97.3m or C$9.82 a share, against a profit of C$6.4m or 64 cents a year earlier.

Roman has begun to sell non-strategic assets, while Standard Trustco had become enmeshed in property financing problems.

Denison Mines, the uranium producer on which Mr Roman built his diversified group, was profitable in the third quarter.

Roman still hopes to sell the controlling block of shares in the international packaging group, Lawson Mardon, in the first half of 1991.

Big US retailers study strategy in the clubs

Nikki Tait examines the discount market, thriving with net sales of $22bn this year

Long faces are plentiful in the US retail sector, as it battles with financial restructurings, depressed sales and hefty price cutting. But for every rule, there is an exception.

While recession pushes down sales growth generally, it has done nothing to dent the huge growth of "warehouse clubs".

Representing the extreme of the discount market and targeting small businesses as customers, these operations are expected to clock up sales of about $22bn in the current year, compared with just less than $18bn in 1989, and little more than $2bn in 1984.

Their success raises the question whether the retail "majors" can afford to stay out of the game. In contrast to the UK, for example – where efforts by the West German group, Aldi, to exploit demand for no-frills shopping have led to accusations of a backlash by entrenched players – large US operators, such as K-mart or Great Atlantic & Pacific Tea Company (A&P), have been showing increasing interest in the concept.

Like many other good ideas, this one came from California. Although the underlying "pile it high, sell it cheap" philosophy was not new, a fortuitously-named entrepreneur, Mr Sol Price, gave it a new twist when he set up the first "Price Club" in San Diego in 1976.

Essentially, the idea was to offer small businesses, which would become members, the chance to buy goods at below the prices charged by their traditional wholesale suppliers. Price Club would buy directly from manufacturers and the product range would be limited.

Mr Price was no newcomer to the retail trade. He had sold out of Fed-Mart, a now defunct stores group, and then crossed swords with the new owners within weeks. As a result, he was out of a job.

It took time for the price club idea to be honed to a profitable formula. In the first year of operation, the company made a loss of more than $400,000, then lost $348,000 in the second.

That prompted steps to enlarge the customer base, by offering group membership to individuals from certain credit unions and employee groups, and widening the business membership.

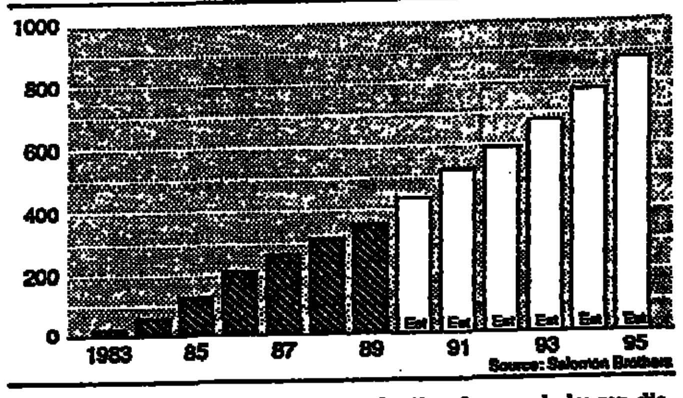
In 1978 (when a second warehouse opened in Arizona) profits started to flow.

Today, Price Club – which sought a stock market quote in 1980 – is one of the largest players in the industry, with annual sales of almost $5bn last year and a pre-tax profit of more than $200m. But it has spawned more than half a dozen imitators across the country – although not all have prospered.

A successful formula is based on low costs, small product ranges and very rapid turnover. Unlike normal discount retailers, which might carry 20,000-plus items, a warehouse club's range is usually limited to about 3,500 to 4,000.

These may include household goods, office supplies, cigarettes or even books, but typically 50 per cent to 60 per cent will be food items. The average store size is about 100,000 sq ft.

Number of warehouse clubs



Source: Salomon Brothers

Labour costs are kept below those of usual retailers, thanks to shorter operating hours, while advertising is pared to the bone.

In addition, Mr Jack Seibald, retail analyst at Salomon Brothers, estimates the annual stock turnover levels at the larger stores to be between 12 and 18 times, (compared with perhaps four times for discount stores), so pushing down working capital requirements.

The obvious drawback, from the retailer's standpoint, is lower margin. Mr Seibald says other discount stores usually make a gross margin of about 28 per cent, while supermarkets turn in about 24 per cent. The average gross margin for a warehouse club is nearer 9 per cent.

But, in a mature industry beset by the need for growth opportunities, the novelty and expansion possibilities of the price club concept are proving seductive for much larger discount and food retail companies. And that development, some suggest, could accelerate a consolidation of this mini-sector.

Wal-Mart, the Arkansas-based discount retailer whose growth has been little short of spectacular, was first to spot the potential, setting up three Sam's Wholesale Clubs in 1983.

Today, it has more than 140 Sam's outlets, and the expansionist retailer recently consolidated its position as the largest warehouse club operator by buying Wholesale Club, a more modest set-up with a strong presence in the mid-west that is quoted on the over-the-counter stock market.

Competitors, although slower to move into the game, have followed its example. K-mart, another of the three biggest US retailers, paid $322m for the PACE chain last year and admits it was the growth possibilities which finally won it round. "Perhaps we were not early enough getting in, but management was not sure whether the clubs would prove a 'fad'", says the company.

K-mart also offers an example of how discount retailing can fail. It had struggled with Makro, a low-cost, warehouse-style retailer, operated in the US as a joint venture between a Michigan-based group and SHV Holdings in the Netherlands.

It acknowledges that the economics of that business were wrong, with the size of Makro's product range proving a debilitating factor. "You have to get the SKU [stock-keeping units] count down," comments K-mart. The small number of Makro outlets has now been merged into the PACE business.

Mainstream food retailer A&P is dipping a toe in the water by purchasing a 51 per cent stake in the loss-making, Chicago-based Warehouse Club.

With that sort of interest among big retail players, many observers predict that consolidation of the industry – via acquisitions – will continue.

So far, neither Wal-Mart nor K-mart report any slowing of sales as the recessionary climate bites, while the scope for expanding the customer base, taking over territory and adding product areas leads analysts to predict double-digit sales growth for several years yet. In the current gloom-laden retail climate, such news is too good to miss.

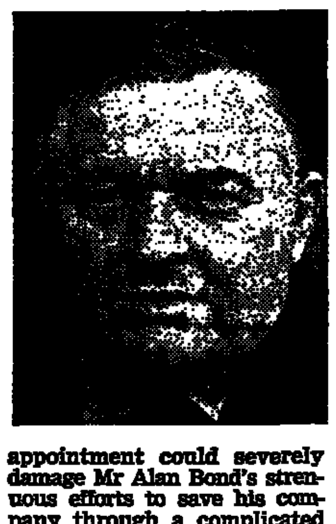
Court will decide Bond Corp future

By Tim Blue in Sydney

THE FUTURE of the Bond Corporation appears to rest on the outcome of a court appeal set for tomorrow in the South Australian Supreme Court.

Lawyers for Bond Corp are planning to appeal against the Supreme Court's decision on Monday to appoint a provisional liquidator to the Bond offshoot JN Taylor Holdings.

In the Supreme Court, Mr Justice Debelle rejected an offer by Mr Alan Bond (pictured), Mr Tony Oates and Mr Peter Mitchell to stand down from the JN Taylor board, and granted the application for liquidation from 28 preference shareholders attempting to recover about A$277m (US$213m) in loans to Bond-related companies.



The formal appointment of Messrs Richard England and Bruce Carter of Ernst & Young has been stayed, pending the outcome of the appeal.

It is widely believed that the appointment could severely damage Mr Alan Bond's strenuous efforts to save his company through a complicated debt restructuring.

A provisional liquidator would be expected to pursue the A$277m funds owed to JN Taylor by the Bond subsidiary, Bond Corp Finance and Mr Bond's family company Dallhold Investments.

The judge said that the proposed appointment of Mr Peter Lucas, Bond Corp's executive chairman, and Mr Kim McGrath, a representative of the European bondholders, would not remove the conflict of interest between Bond Corp and JN Taylor.

Last week, the judge said that the appointment of both Mr McGrath and Mr Lucas would create a conflict of interest because they were both keen to get the debt-for-equity swap proposed for the European shareholders "up and running".

Bond Corp owns 71 per cent of the ordinary shares in JN Taylor, while Bell Group, which is 70 per cent owned by Bond Corp, controls a further 28 per cent.

The loans owed to JN Taylor are in the form of A$96.6m owed by Mr Bond's family company Dallhold and two loans of A$114m and A$66m to Bond Corp Finance.

Lloyd Brasileiro crisis deepens as ships seized

By Victoria Griffith in Sao Paulo

THE FINANCIAL crisis at Lloyd Brasileiro, the state-owned maritime transportation company of Brazil, worsened this week with the seizure of two of its ships anchored in the American ports of New York City and Jacksonville, Florida.

Since August, six ships have been held in dock in foreign ports at the request of Lloyd's creditors.

The group's troubles reflect the deepening crisis at many of Brazil's state-owned companies.

Lloyd is $27.5m in the red to fuel suppliers, container leasers and other companies.

According to the company's president, Mr Francisco Chiara, the seizure of the ships has already cost Lloyd $20m, nearly the size of its debt.

Mr Chiara said the company was still hoping for financial support from the government.

It is becoming clear, however, that the Collor administration's policy is to let state-owned firms fend for themselves.

Last week, Mr Ozilio Silva resigned from the post of chief executive of Embraer, the federally-owned aircraft manufacturer, over the government's refusal to offer any aid.

Lloyd dismissed 610 workers in November in an effort to reduce costs.

The group's former president, Mr Jose Carlos Urrutigaray, walked out at the end of October over the government's refusal to throw a lifeline to the company.

Mr Chiara said the group was negotiating with its creditors.

Ceramco operating profit halved after asset sell-off

By Terry Hall in Wellington

OPERATING profit at Ceramco Corporation, the New Zealand engineering, food and clothing conglomerate, fell 53 per cent to NZ$4.8m (US$3m) from NZ$10.2m in the six months to September 30 following an asset sale programme.

The sell-off cut sales to NZ$197m for the year to March 1990 from NZ$274m in the previous year.

Operations sold or discontinued include New Zealand Contracting, Ceramco Far East Trading and the import discount warehouse.

In the latest six months sales dropped to NZ$75m from NZ$113m at September 1989, a 33.5 per cent decline. No tax was payable in either period.

The investment in Steel and Tube Holdings produced a dividend of NZ$1m, compared with NZ$5.7m last year. Ceramco will write down the value of this 26 per cent investment in its 12-month result.

Mr Peter Grayburn, chairman, said continued high interest rates, lack of consumer spending and lack of capital investment in industry had affected operations that relied on the domestic economies of New Zealand and Australia.

Half-year earnings per share were down to 10 cents from 20.

Mr Grayburn said the second half had started strongly. Current projections indicate that profit should be up on the first half. The directors held the interim dividend at 4 cents for each 50 cent share.

COMPANY NEWS IN BRIEF

■ Swiss-based Holderbank Financière Glaris yesterday said it had acquired 90.1 per cent of the shares in Queensland Cement, the Australian cement maker, after launching a bid on September 26, AP-DJ reports from Sydney.

Holderbank is bidding A$3.80 a share for all of Queensland Cement, valuing the company at about A$270m (US$210m). The bid closes on December 21.

■ New Zealand's Securities Commission is reviewing the latest capital injection into Bank of New Zealand, Reuter reports from Wellington. However, Mr John Farrell, the commission's executive director, said it was not a formal investigation.

"We are looking at the proposed terms of issue of new securities." The commission was not looking at the possibility of insider trading in BNZ shares, he said, despite opposition party suggestions in the New Zealand parliament that an investigation on insider trading might be under way.

■ Nippon Steel, the Japanese steel group, is considering entering the aluminium market by increasing its stake in Sky Aluminium Company of Japan, Reuter reports from Tokyo.

"We are now studying whether we should buy more Sky Aluminium shares," said Nippon Steel, which currently owns 10 per cent of Sky.

■ Miramar Hotel and Investment Company of Hong Kong posted a 42 per cent fall in pre-tax profits to HK33m (US$4m) from HK$57m in the year-earlier period, AP-DJ reports from Hong Kong.

The hotel group's earnings per share also fell 42 per cent to 6.19 cents from 10.71 cents, while turnover rose 4 per cent to HK$362m from HK348m. A maintained interim dividend of 8 cents a share is proposed.

■ Brierley Investments, the New Zealand company founded by the entrepreneur Sir Ron Brierley, is to seek approval from shareholders of Ariadne Australia, the former share-boom high flier which almost collapsed last year, to buy a 19.8 per cent stake in the company for A$11.68m, bringing its total stake to 39.2 per cent, Reuter reports from Wellington.

"BIL . . . is acquiring the shares to stabilise the Ariadne share register," it said.

INTERNATIONAL COMPANIES AND FINANCE

Cardo sells off Nife unit to Saft

By **Robert Taylor** in Stockholm and **George Graham** in Paris

CARDO, the Swedish holding company, has finally sold its Nife battery division to Saft, the batteries subsidiary of France's Compagnie Générale d'Electricité, for SKr160m ($29m).

Saft said last month that it was suspending talks with Cardo. The French company remained keen on an industrial link-up with Nife, which would give it what it regards as the necessary critical mass for the battery industry, but disagreed on the price.

Nife is a leading manufacturer of industrial nickel cadmium batteries, with sales last year of SKr1.26bn and a profit after financial items of SKr8.7m.

It accounted for 17.2 per cent of Cardo's total turnover in 1989. It has subsidiaries in 22 countries and production plants in seven of them.

"We announced earlier this autumn that we intended to carry out a necessary restructuring of Nife's activities," said Mr Lennart Nilsson, Cardo's chief executive officer, yesterday.

Cardo will suffer a book loss of about SKr50m on Nife, which is valued at SKr210m, but will also improve its debt-equity ratio by 1-2 per cent.

Saft said it expected a strong reduction in 1990 earnings from 1989's FFr115m ($23m) net profits on FFr3.1bn of sales.

Stockbrokers have forecast a 55 to 60 per cent drop in profits as Saft suffers from the cost of capacity investments and of restructuring its operations.

In addition, the weakening of the yen has increased competitive pressure, especially in the nickel-cadmium accumulator sector, from Japanese rivals such as Matsushita and Sanyo.

Paris brokers said the addition of Nife, which they regard as currently unprofitable, would worsen this outlook in the short term.

Gardini puts managers into Serafino Ferruzzi

By **John Wyles** in Rome

MR RAUL Gardini yesterday introduced professional managers into the running of the Ferruzzi family's holding company, Serafino Ferruzzi, while at the same time bowing to the requests of his wife and in-laws not to renounce the company's presidency.

The move will do nothing to remove the conviction in Italian business circles that Mr Gardini was overruled by his family two weeks ago when he wanted to buy out the 40 per cent participation of ENI, the state energy company, in the Enimont chemicals joint venture and that yesterday's announcement is his price for a peace settlement.

Forced, as a result of this stand, to sell Montedison's 40 per cent of Enimont to ENI, Mr Gardini then announced that he was giving up all his operational posts in Italian business, including in Serafino Ferruzzi.

Yesterday, the company's board and shareholders' committee comprising Mr Gardini and the four children of the late Serafino, agreed to his proposal that three of the Ferruzzi group's top managers should join the shareholders' committee.

They are Mr Guiseppe Garofano, president of Montedison, Mr Carlo Sama, the husband of one of the Ferruzzi daughters and the holder of several posts within the group, and Mr Sergio Cragnotti, most recently managing director of Enimont who is now working on a project to open a merchant bank for the group in London.

The insertion of Mr Gardini's most trusted professional managers into the family company should strengthen his powers to determine its strategies and resembles the decision taken by the Agnelli family two years ago to bring Mr Cesare Romiti, managing director of the Fiat group into their equivalent holding company.

Alleged SFr63m fraud at Bank Leu

EXECUTIVES of Bank Leu, which was acquired by CS Holding earlier this year, yesterday said that the group's profits this year would fall sharply following the discovery of an alleged SFr63m ($50m) fraud, Reuter reports from Zurich.

Mr Roland Rast, Bank Leu's chief executive, said the bank would barely make a profit this year after setting aside provisions for the alleged fraud.

He added that the bank also suffered falls in returns from all areas of the banks operations in the first three quarters of the year. Mr Robert Jeker, the bank's supervisory board president, said the bank would not pay a dividend.

Mr Werner Flück, the deputy director, said that the alleged fraud was carried out by the credit manager who had worked for the bank since 1983 and who was arrested last October.

The fraud is claimed to have started late last year and was carried out by making fictitious loans in the name of clients of the bank. The money was paid out to the credit manager, the bank alleges.

Bank Leu returned a net profit of SFr52.6m last year. However, a restructuring which takes effect next week will make a comparision with this year's profit figure impossible.

CS Holding, parent of Switzerland's third largest bank Crédit Suisse, gained control of Bank Leu through a hostile takeover launched in April. CS Holding swapped Bank Leu shares one-for-one into Leu Holding shares. Bank Leu paid a SFr70 dividend per SFr500 share on 1989 results.

CORRECTION

Berisford International

A headline in yesterday's issue incorrectly stated that Berisford International had plunged to a loss of £880m.

As the story made clear the company actually revealed a pre-tax loss of £96.1m for the year to end-September.

How Glaverbel checked in at Sklo Union

A Czech privatisation bandwagon has picked up speed, writes **Anthony Robinson**

After a slow start, Czechoslovakia's privatisation bandwagon has moved into top gear with two major investment deals – by Volkswagen of Germany and Glaverbel of Belgium – that underline the economic potential of the most industrialised country in what remains of the old Comecon bloc.

Volkswagen's DM9.5bn ($6.5bn) investment will give it 70 per cent control of the flagship of Czech industry by 1995 and is the largest foreign investment-linked privatisation deal anywhere in the region.

It follows close on last month's sale of an initial 40 per cent in Sklo Union, the country's state-owned glass monopoly, to the Japanese-controlled Glaverbel of Belgium.

Sklo Union-Glaverbel were the first to take advantage of the Czech government's strong backing for privatisation. But the emergence of Volkswagen as its partner for the automotive division of Skoda is expected to pave the way for a wave of new investment deals by foreign bidders attracted by the country's low debt, long industrial traditions and closeness to main European markets.

It remains to be seen, however, whether Slovakia, the poorer eastern part of the country with its high concentration of arms factories and other plants geared to the Soviet market, will prove as attractive to foreign investors.

Originally perceived as a way for the cash-strapped government to raise money and help obsolete companies acquire western technology, privatisation is now seen more strategically as the main vehicle for Czechoslovakia's re-integration into the western markets which took the bulk of the country's trade before the Second World War.

This is partly a case of necessity. With domestic savings and income low, privatisation of the bigger companies has become virtually synonymous with foreign investment.

Mr Jan Vanous, editor of Planecon report which lists 500 major Czechoslovak companies potentially up for privatisation, believes that foreign investors in Czechoslovakia stand to make substantial capital gains on their investments because of the large gap between the current market rate of exchange for the Czech koruna and the internal purchasing power parity of the currency.

Czechoslovakia has a broad spread of engineering and manufacturing companies, but few if any are of sufficient scale or technical modernity to compete on world markets without heavy price discounting. But the potential for upgrading and integrating plants has led to strong competition for the best companies.

In the Skoda case, Volkswagen was strongly favoured by the plant managers and engineers familiar with German technology who wanted Skoda to benefit from an investment plan nearly three times bigger than would have flowed from the rival Renault/Volvo proposals.

But Volkswagen also benefited from concentrating its attentions on the Czech republic rather than federal government level where the French/Swedish consortium carried out high-level lobbying.

Sklo Union, as dominant domestically in its industry as Skoda in the car industry, was wooed by six foreign companies, three from the US plus the three major European glass producers, Saint-Gobain, Pilkington and Glaverbel. It provided the Czech company and its advisers with an interesting chance to compare tactics and approaches.

'The Americans were really aggressive. They told us they had a plan to make money quickly which would involve closing down factories and cutting back the labour force. They expected us to accept it just as it was. That approach just does not work here," said Stepan Popovic, Sklo Union's general manager

As the leading glassmaker producing 600,000 tons of flat glass and related products from 9 plants and exporting 30 per cent of its Kcs3bn turnover ($176m at the end-1989 exchange rate), it is not difficult to see why it attracted such distinguished suitors.

It soon found that the problem of evaluating the various offers raised crucial questions about the value of its own assets and liabilities. At that point it called in Bankers Trust International as financial advisers.

The original brief was simply to make an evaluation. But once the bank's mergers and acquisition team led by Mr Alasdair Dundas got involved, the brief expanded to cover broader issues raised by the proposed foreign investments.

The team found that the government was not primarily interested in making money from the sale of its shares but in ensuring that the new partner would recapitalise the company and take a long-term strategic view. It also found that the existing management was taken aback by the aggressive style of the US bidders and the initial "arrogance" of some of the other bidders.

"The Americans were really aggressive. They told us they had a plan to make money quickly which would involve closing down factories and cutting back the labour force. They expected us to accept it just as it was. That approach just does not work here," said Mr Stepan Popovic, Sklo Union's general manager.

The choice narrowed down after the bank arranged a "beauty contest" in London when the rival bidders were invited to present their proposals.

A key element in Glaverbel's favour was that once the decision to bid for Sklo Union had been taken, the negotiations were carried out by senior management led by Mr Luc Willame, the chief executive, who did not have to refer back to higher authority.

Although the final details of the agreement remain to be hammered out by lawyers, the Glaverbel team made clear its willingness to inject capital and new technology while working closely with the existing management. It also emphasised its desire to increase exports to the German and other EC markets, exploiting the strategic position of Sklo Union's main flat glass and other factories at Teplice, less than 20km from the German border.

With 9,500 employees, the Czech company at present employs 50 per cent more people than Glaverbel's 27 existing plants in Europe, North America and Morocco. Large-scale redundancies are inevitable if efficiency is to be raised to west European levels.

Some Sklo plants, such as the plate glass factory at Teplice which uses Pilkington float glass technology, are already close to western levels. Production will be expanded by investment in a third float line. Other plants will have to close or face severe labour cutbacks.

"We faced these problems in the 1970s and we believe our experience will help to ease the pain," Mr Willame told his Czech partners.

"At present, workers accept the need for unemployment in principle – but only because no-one thinks that they are going to be the one who will lose their job," Mr Popovic replied wryly.

ISS buys Electrolux cleaning side

By **Hilary Barnes** in Copenhagen and **Robert Taylor** in Stockholm

ISS, the world's biggest cleaning company, of Denmark, is paying SKr750m ($135m) for the cleaning operations of Electrolux's Environmental Services Group.

The purchase is a big step for ISS. The turnover of the assets being acquired – about DKr1.8bn ($318m) – adds 20 per cent to ISS's 1989 turnover of DKr9bn, as well as 14,100 employees, taking ISS's worldwide employment to about 135,000.

The units involved in the divestment are the ASAB company cleaning subsidiaries in Finland and Sweden, Dansk Erhvervs Rengoring in Denmark and Swan Services in the US.

The deal will consolidate ISS's position in the Swedish market, where it has three other companies, with a turnover of about DKr500m and 5,000 employees. ASAB has about a third of the Swedish market for contract cleaning, with turnover of DKr1.4bn and 9,000 employees.

In the US, Swan Services operates mainly in the southern and western states. Turnover is about DKr310m and there are 3,500 employees.

ISS said the acquisition would be financed partly by an equity issue and partly by taking up new long-term loans.

The new companies would make a positive contribution to earnings after goodwill and financial costs and earnings per share would not be diluted, added ISS.

Fokker in drive to cut costs by Fl 200m a year

By **Ronald van de Krol** in Amsterdam

FOKKER, the Dutch aerospace group, is to cut costs by Fl 200m ($120m) a year to ensure its long-term profitability in the face of the continued weakness of the dollar.

It hopes to achieve two-thirds of the cuts by persuading suppliers such as Rolls-Royce, Short Brothers and Messerschmidt-Bölkow-Blohm to reduce their prices. Other measures include a hiring freeze and a reduction in the number of temporary workers in peak periods.

The job losses are expected to focus on non-production areas. Fokker aims to reduce its employed capital by Fl 300m a year by shortening the time it takes to build its aircraft, enabling it to cut inventories of components.

The group may also bring forward its decision on developing a new plane, the Fokker 130.

This announcement appears as a matter of record only.

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For further information regarding The Bank of New York's ADR Services, please contact Kenneth A. Lopian in New York (212) 815-2084, or Michael McAuliffe in London (071) 322-6336.

Notice to Holders of
MITSUKOSHI, LTD.
Bearer Warrants to subscribe for shares of common stock of Mitsukoshi, Ltd. issued in conjunction with the U.S.$400,000,000 4 per cent. Bonds 1993

Pursuant to Clause 3 (xiii) of the Instrument dated 15th June, 1989 under which the above-mentioned Warrants (the "Warrants") were issued and Condition 7 of the Terms and Conditions of the Warrants, notice is hereby given as follows:-

In accordance with the resolutions adopted by the Board of Directors of Mitsukoshi, Ltd. (the "Company") on 22nd November, 1990 and 30th November, 1990, the Company issued on 10th December, 1990 (Tokyo time) convertible debentures due 1997 and convertible debentures due 1995, each convertible into shares of common stock of the Company at the conversion price of ¥1,159 per share.

As required by Clause 3 (v) of the Instrument in connection with such issuance of the convertible debentures, the subscription price in respect of the Warrants in effect prior to adjustment, which was ¥2,491 per share of common stock of the Company, has been reduced to ¥2,473.40 per share with effect from 11th December, 1990 (Tokyo time).

MITSUKOSHI, LTD.
By: Mitsui Taiyo Kobe Trust International Limited as Principal Paying Agent
12th December, 1990

Finance for Danish Industry International S.A.

Yen 5,000,000,000
Guaranteed notes due 1994

Notice is hereby given that for the interest period 12 December, 1990 to 12 June, 1991 the Notes will carry an Interest Rate of 7% per annum. Interest payable on 12 June, 1991 will amount to Yen 3,490,411 per Yen 100,000,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

INTERNATIONAL CAPITAL MARKETS

US Treasuries firmer on hopes of rate cut by Fed

By **Patrick Harverson** in New York and **Deborah Hargreaves** and **Simon London** in London

ONCE AGAIN, expectations of a more accomodating monetary policy from the Federal Reserve and bad news about the economy set the tone for a firmer government bond market yesterday.

At the close the benchmark 30-year Treasury bond was near its high for the day at 107⅝, up ⅞ on the session, yielding 8.063 per cent.

In spite of some reports on Monday that the Fed would continue its cautious approach to policy changes, the bond market remains confident that the Fed will soon either lower the discount rate or signal another 25-basis point cut in the Fed funds rate.

The latest economic news came from the National Association of Purchasing Management and painted a picture of an economy in recession. In its biannual economic forecast the NAPM reported that purchasers were currently operating at only 82.2 per cent of their normal capacity, a figure significantly lower than the 85 per cent seen a year ago, and that manufacturing orders, employment and production had declined for the fifth successive month.

As expected, the Fed yesterday morning drained reserves from the banking system via overnight matched sales, completed when Fed funds were at 7 per cent. The move was intended to halt the slide in the funds rate, which at one stage had been as low as 6⅜ per cent.

Although the Fed set a new target for the rate last week of 7¼ per cent, it is not happy to see funds trading any lower, or at least not until it decides to ease policy further.

However, the Fed's intervention yesterday had little impact on Fed funds. After initially hardening on the Fed's operations, the rate dropped back below 7 per cent to end at 6⅞ per cent.

The Fed funds rate has been weak because Treasury deposits at the Fed have been lower than expected — which adds reserves to the system — and because the market expects another Fed policy change soon.

If the Fed takes no action on monetary policy before this morning, the Fed funds rate could shoot up as banks rush to meet the requirements all at once.

GOVERNMENT BONDS

■ JAPANESE government bonds continued to rise in Tokyo, with the yield on the benchmark 119 issue testing the key 7 per cent level.

The market shrugged off the negative tone of the Bank of Japan's quarterly Tan Kan economic survey to push government bond prices higher. After opening on a yield of 7.14 per cent, the 119 reached 7.045 per cent before falling back slightly to close at 7.07 per cent.

In quiet London trading the yield fell back to 7.08 per cent, but analysts are expecting professional activity to push prices higher today.

The Tan-Kan report is one of the key indicators of future government monetary policy and investors were looking for signs which might allow for a relaxation of monetary stance. However, the Tan-Kan revealed severe labour shortages in key areas of the economy and other signs of economic over-heating. The Bank of Japan said that the results of the survey leave little room for a cut in interest rates in the near future.

■ THE UK market for gilt-edged securities saw a firmer day as sterling improved against the D-Mark. Long-dated gilts were buoyed by the government's current resistance to cutting base interest rates against the background of an increasingly deep recession.

While the long end of the market gained more than half a point, bonds with shorter-dated maturities showed less improvement as some investors switched from the long to the short end of the market. These investors are taking the view that the short-dated bonds are likely to see little movement in price.

With the tightening of policy lasting much longer than is usually expected under recessionary conditions, investors are turning more bullish on long-dated gilts. A benchmark issue which matures in 2003/07 rose by ⅞ yesterday to 108⅞ to offer a yield of 10.53 per cent.

■ GERMAN government bonds rallied strongly in late afternoon trading on comments by Mr Karl-Otto Pöhl, the Bundesbank chairman, that interest rates will not be raised later this week.

The benchmark 8⅞ per cent 10-year bund closed on a yield of 8.70 per cent, having traded at 8.77 per cent for most of the day's trading. The latest 8⅞ per cent 110-year bund closed on a yield of 8.77 per cent.

On the futures market, the March bund futures contract closed at 83.80, up sharply from a low of 83.28 during the day.

The market is now waiting for the Bundesbank to unveil its monetary growth targets for next year. The bank has called a press conference tomorrow to reveal the figures, but some in the market expected a rise in interest rates to accompany the announcement. Now that Mr Pöhl has given a clear indication that rates will not rise for the moment, the market will be watching the monetary growth targets themselves as a sign of interest rate policy.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-19	+0/32	11.18	11.19	11.62
		9.000	03/00	91-08	+12/32	10.49	10.68	11.36
		9.000	10/08	90-26	+22/32	10.11	10.36	10.97
US TREASURY *		8.500	11/00	103-31	+12/32	7.91	8.31	8.49
		8.750	08/20	107-19	+23/32	8.07	8.46	8.65
JAPAN	No 119	4.800	6/99	87.8756	+0.375	7.08	7.32	7.88
	No 129	6.400	03/09	97.7525	+0.361	6.80	7.01	7.54
GERMANY		9.000	10/00	101.8500	+0.460	8.71	8.87	9.07
FRANCE	BTAN	9.000	11/95	95.7647	+0.037	10.12	10.12	10.24
	OAT	8.500	03/00	91.7900	+0.250	9.87	10.01	10.35
CANADA *		10.500	03/01	102.9500	+1.000	10.03	10.65	10.76
NETHERLANDS		9.250	11/00	101.5100	+0.140	9.01	9.11	9.22
AUSTRALIA		13.000	07/00	106.2806	-0.002	11.89	12.10	12.83
BELGIUM		10.000	08/00	100.3000	-0.150	9.70	9.73	9.89

London closing, New York closing
Yields: Local market standard
Prices: US, UK in 32nds, others in decimal
Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on December 11

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	100⅞	101⅛	+⅛	8.40
ALBERTA PROVINCE 9 3/8 95	600	103⅝	103⅞	+⅛	8.43
AUSTRIA 8 1/2 00	400	98⅞	98⅝	+⅛	8.74
BANK OF TOKYO 8 3/8 96	100	97⅞	98⅛	+⅛	8.88
BELGIUM 9 1/8 92	400	101⅞	102	+⅛	8.06
BFCE 7 3/4 97	150	96⅛	96⅝	+⅛	8.54
BNP 8 5/8 94	300	101⅛	101⅞		8.19
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	93	94		9.63
KREDIETCORP 7 93 LFr	1000	93⅞	94⅞		9.69
WORLD BANK 8 96 LFr	1000	93⅞	94⅞		9.62
AMRO BANK 6 1/4 92 Fl	150	94⅞	95⅞		9.84
RABOBANK 5 3/4 93 Fl	150	92⅞	93		9.77
ALBERTA PROVINCE 10 92 CS	500	98⅞	98⅞		11.26
BCE INC 9 5/8 93 CS	300	96⅛	96⅞		11.51
[illegible]					

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: [illegible]
CONVERTIBLE BONDS: [illegible]

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Fall of 35% in value of mergers and takeovers

By David Waller

THE value of completed takeovers and mergers in the UK in the first nine months of the year fell by 35 per cent against the same period last year, although the number of deals continued to rise, according to an IDD/Extel analysis.

By contrast, the market in the rest of Europe grew vigorously in the quarter, with 976 deals worth £11.6bn ($22.4bn). Over the nine-month period, there were 1,651 deals worth £27.3bn.

In the UK, there were 1,158 transactions worth £23.7bn. Deals worth £20m or less accounted for 87 per cent of the total.

In the UK, Lazards displaced J. Henry Schroder Wagg as lead adviser in terms of deal value. Schroders held the position throughout the first half of the year. Lazards advised on 36 deals worth £5.5bn, with Schroders close behind with 46 deals worth £5.03bn.

In continental Europe, Goldman Sachs was the leading adviser, with nine transactions worth £4.3bn, followed by Credit Suisse First Boston, Rothschilds, Morgan Stanley and Schroders.

In the US, there were 1,989 completed deals worth $144.7bn, while the number of announced deals fell by nearly 50 per cent. The number of "junk bond" issues fell by 90 per cent. The top adviser in the US is Lehman Brothers ($35.5bn from 71 deals), with Lazard Frères second.

IDD/Extel Financial M&A Analysis. Available from David Smith, IDD Information Services, Fitzroy House, 13-17 Epworth St, London EC2A 4DL. Tel: 071-251 3333.

Pacific SE in plan to cut costs

By Louise Kehoe in San Francisco

THE Pacific Stock Exchange, faced with a declining volume of business, is taking steps to reduce operating costs in 1991, including reducing the number of jobs by as many as 40.

The PSE, which operates trading floors in Los Angeles and San Francisco, said that the cost savings would be achieved through cuts in operating expenses, improved efficiencies through the introduction of computer technology and a reduction of 7-9 per cent in the PSE's 436-strong staff, through attrition and redundancies.

The PSE has reported an operating loss of $1m for the first nine months of 1990.

"The securities industry has been hard-pressed by lower trading volumes since 1987," said Mr Lee Korins, PSE chairman and chief executive.

The exchange's options volume so far this year is 24 per cent below the 1989 level. Its equities volume has fallen 8 per cent, and the value of stocks traded is down 15 per cent.

"In many ways, we've fared better than other exchanges and most Wall Street firms under these conditions," Mr Korins said. "But as we look ahead, the realities of the 1990s dictate lean, efficient operations to remain competitive."

U.S. $30,000,000
Banco Latinoamericano De Exportaciones, S.A.
Floating Rate Notes due 1991 with Warrants to purchase 3,000,000 Shares of Cumulative Participating Preferred Stock

In accordance with the provisions of the Notes, notice is hereby given, that for the six months Interest Period from December 12, 1990 to June 12, 1991, the Notes will carry an interest rate of 8⁵⁄₁₆% per annum. The amount payable on June 12, 1991 against Coupon No. 10 will be U.S. $420.24 for Bearer Notes of U.S. $10,000 principal amount and U.S. $4,202.43 for Bearer Notes of U.S. $100,000 principal amount. U.S. $420.24 will be payable on each U.S. $10,000 principal amount of Registered Notes.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
December 12, 1990

U.S. $150,000,000
First Interstate Overseas N.V.
Guaranteed Floating Rate Subordinated Notes Due 1995
Guaranteed on a subordinated basis as to payment of principal and interest by
First Interstate Bancorp

Interest Rate	7.6875% per annum
Interest Period	12th December 1990 12th March 1991
Interest Amount per U.S. $10,000 Note due 12th March 1991	U.S. $192.19

Credit Suisse First Boston Limited
Agent Bank

CHARTER CONSOLIDATED PLC
NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER

At a meeting of the Board of Directors on 11 December 1990 an interim dividend was declared of 7.0p per share payable on or after 21 January 1991 to persons presenting coupon no. 62 detached from share warrants to bearer. Coupons, which must be left for four clear days for examination, may be lodged any weekday (Saturday excepted) between 10am and 3pm at the Securities Department of Barclays Registrars, 168 Fenchurch Street, London EC3P 3HP, or at Credit Lyonnais, 19 boulevard des Italiens, 75002 Paris, or at L'Europeenne de Banque, 21 rue Laffite, 75428 Paris. Listing forms may be obtained on application.

40 Holborn Viaduct
London EC1P 1AJ
11 December 1990

IG INDEX
TELEPHONE: 071-828 7233 AFBD MEMBER

FTSE 100	WALL STREET
Dec. 2173/2183 -20	Dec. 2583/2595 -10
Mar. 2208/2218 -21	Mar. 2604/2616 -11

5pm Prices. Change from previous 9pm close
HOW WELL DID YOU JUDGE THE MARKET?

DECLARATION OF DIVIDENDS

The following companies have declared interim dividends, in South African currency, payable to members registered in the books of the companies concerned at the close of business on 28 December 1990:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount Per Share Cents
Deelkraal Gold Mining Company Limited (Registration No. 74/00160/06)	16	10
Driefontein Consolidated Limited (Registration No. 68/04880/06)	35	60
Kloof Gold Mining Company Limited (Registration No. 64/04462/06)	42	40

Warrants payable on 6 February 1991 will be posted on or about 5 February 1991.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the companies.

Requests for payment of the dividends in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 28 December 1990 in accordance with the above-mentioned conditions.

The registers of members of the above companies will be closed from 29 December 1990 to 4 January 1991, inclusive.

The following companies have not declared interim dividends:
Doornfontein Gold Mining Company Limited (Registration No. 05/24709/06
Libanon Gold Mining Company Limited (Registration No. 05/08381/06)
Venterspost Gold Mining Company Limited (Registration No. 05/05632/06)

By order of the boards
per pro GOLD FIELDS CORPORATE SERVICES LIMITED
London Secretaries
S. J. Dunning, Secretary

London Office:
Greencoat House
Francis Street
London, SW1P 1DH
11 December 1990

United Kingdom Registrar:
Barclays Registrars Limited
Bourne House
34 Beckenham Road
Beckenham, Kent BR3 4TU

Members of the Gold Fields Group

U.S. $100,000,000
AIB
Allied Irish Banks plc
Floating Rate Notes Due 1995
Subordinated as to payment of principal and interest

Interest Rate	7.6875% per annum
Interest Period	12th December 1990 12th June 1991
Interest Amount per U.S. $10,000 Note due 12th June 1991	U.S. $388.65

Credit Suisse First Boston Limited
Agent Bank

U.S. $600,000,000
Malaysia
Floating Rate Notes Due 2009

Interest Rate	7.6875% per annum
Interest Period	12th December 1990 12th June 1991
Interest Amount per U.S. $10,000 Note due 12th June 1991	U.S. $388.65

Credit Suisse First Boston Limited
Agent Bank

THE TOA-RE INSURANCE COMPANY (UK) LIMITED
INCREASE IN SHARE CAPITAL

The Toa-Re Insurance Company (UK) Limited announces that it proposes increasing its Authorised Capital from £25,000,000 to £50,000,000 and on 19th December 1990 to increase its Paid-up Capital by £12,500,000 to £37,500,000. At 30th June 1991, the Paid-up Capital will be further increased to £50,000,000. The position then becomes:

Authorised issued and fully paid-up Ordinary Share Capital	£46,000,000
Authorised issued and fully paid-up Non-Cumulative Participating Preference Share Capital	£ 4,000,000
Total Paid-up Share Capital	£50,000,000

The Company believes this will further illustrate their continued total commitment to the future of the London Market and to the development and broadening of their account.

TOA RE
Registered Office: 40 Lime Street, London EC3M 5BS
Telephone: 071-623 4481

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS ("EDR'S") IN FUJITSU LIMITED

NOTICE IS HEREBY GIVEN that FUJITSU LIMITED paid a dividend of ¥4.50 gross per share on 3rd December, 1990, to Shareholders of record date 30th September, 1990. This dividend has been converted to U.S. Dollars and amounts to US$33.43 gross per EDR.

Accordingly, Kleinwort Benson Limited as Depositary informs holders of EDR's that they should claim their dividends by presenting Coupon No.23 on or after 14th December, 1990, at the office of the depositary KLEINWORT BENSON LIMITED, 20 Fenchurch Street, London, EC3P 3DB; MORGAN GUARANTY TRUST COMPANY of NEW YORK, Avenue des Arts 35, 1040 Brussels; or BANQUE INTERNATIONALE A LUXEMBOURG S.A., 2 Boulevard Royal, Luxembourg.

Coupons must be left for 3 clear business days for examination and may be presented on any week day (Saturday and public holidays excepted) during normal business hours.

Japanese withholding tax at the rate of 20 per cent will be deducted from the gross value of all dividends paid unless the EDR holder lodges, in a form acceptable to the Depositary an affidavit of residence in a country having a tax treaty or agreement with Japan providing for a lower rate of withholding tax in which case such lower rate will be applied.

The difference between the amount of withholding tax deducted and the standard rate of income tax payable in the United Kingdom will also be deducted from all dividends paid in the United Kingdom unless holders of EDR's furnish the Depositary with the usual affidavits of non-residence in the United Kingdom.

KLEINWORT BENSON LIMITED
London, Depositary

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Republic of Austria Pass-Through Securities Limited

11% Notes Due 2000

secured upon, and issued contemporaneously with 100,000 Warrants to acquire,

U.S. $100,000,000

Republic of Austria

11% Notes Due 2000

NOTICE IS HEREBY GIVEN that pursuant to Condition 6 (b) of the Notes, U.S. $42,000,000 principal amount of the Notes has been drawn for redemption on the 16th January, 1991, at their principal amount, together with accrued interest to 16th January, 1991.

The serial numbers of the Notes drawn for redemption are as follows:

On the 16th January, 1991, the said redemption price will become due and payable on each Note to be redeemed, together with accrued interest from 25th November, 1990 to 16th January, 1991 amounting to U.S. $77.92 per U.S. $5,000 Note. On and after that date, interest on the said drawn Notes will cease to accrue.

Payment of the Notes to be redeemed will be made on and after 16th January, 1991 upon presentation and surrender of the said Notes, with all coupons appertaining thereto, at any of the following Banks:

Bankers Trust Company
1 Appold Street, Broadgate,
London EC2A 2HE

Banque Indosuez Luxembourg
39 Allée Scheffer
Luxembourg

The Republic of Austria Pass-Through Securities Limited shall be discharged from its obligation to pay principal and interest on the Notes ten years and five years, respectively, from the Relevant Date for the payment thereof.

Bankers Trust Company, London

Agent Bank

12th December, 1990

French agency FFr1bn issue enlivens a quiet day

By Simon London

ON AN otherwise quiet day in the international bond market, Crédit d'Equipement des Petites et Moyennes Entreprises (CEPME), the French state development agency for small and medium sized businesses, came with a FFr1bn issue.

The five-year issue, lead managed by Crédit Lyonnais, is fungible with its outstanding FFr1bn offering launched in May.

INTERNATIONAL BONDS

The paper carries a 10 per cent coupon, against 10¼ per cent on the FFr1.2bn five-year deal launched by the Republic of Finland three weeks ago via BNP.

However, at a fixed-reoffer price of 98.70 the paper offers a yield of 10.34 per cent, in line with both the Finland paper and the original CEPME paper in the secondary market. At this level the issue offers a spread of 36 basis points over equivalent French government bonds.

The issue saw strong demand from both French and international investors, trading up to 98.75 bid. Full fees were 22 basis points.

Rumours that the French government may withdraw its guarantee from state agencies has prompted a number of similar borrowers to look at the market. The suggestion has also stimulated international demand for government-guaranteed franc-denominated securities, which have been performing better than many other European counterparts in recent weeks.

For example, the spread between 10-year French government OATs and German government bunds has narrowed to 110 basis points from 125 basis points in the past month. Analysts are expecting this differential to close by a further 10 basis points before the year end.

Last week saw FFr3.75bn of supply launched into the sector, and yesterday's deal is evidence that demand has not been exhausted at certain maturities.

Elsewhere in the market, Eurodollar bonds continued to follow the rally in US Treasury bonds, with yields in the secondary market having come in by around ⅛ point this week. However, the paucity of interest rate and currency swaps opportunities continues to block new issues from many potential borrowers.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Ohbayashi Corp(b)♦◆	400	4½	100	1994	2¼/1½	Nomura Int.
Kaken Pharmaceutical(a)♦	100	4½	100	1994	2¼/1½	Yamaichi Int.
KOP(a)◆	40	zero	94.516	1991	⅞/½	Mitsui Taiyo Kobe
FRENCH FRANCS						
CEPME(c)◆	1bn	10	98.70	1995	22/17bp	Credit Lyonnais
SWISS FRANCS						
Gunze Sangyo Inc.(d)★★§	100	6	100	1995	-	Swiss Volksbank

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Coupon was indicated at 4⅞%. Exercise premium fixed at 2.5%. Non-callable. c) Fungible with existing FFr1bn deal, from January 1991. Non-callable. d) Put option 31/3/93 at 107⅞% to yield 9.11%.

Leningrad exchange planned

By Patrick Harverson in New York

THE FIRST steps towards the establishment of a financial market in Leningrad were taken yesterday when the city authority announced it had signed a letter of intent with Peake/Ryerson, a US consultancy, and Transvik, a Swedish group that operates electronic trading systems, to set up a stock and a commodities exchange.

The aim is to create, via a joint venture, two fully computerised exchanges in Leningrad.

No deadline has been set for their opening – joint stock companies have to be established first and state-owned industries privatised – but the US and Swedish firms hope to have much of the markets' structure in place by the end of next year.

Separate plans to establish a stock exchange in Moscow are already under way.

Transvik and Peake/Ryerson have agreed to provide expertise and technology in a number of areas: market structure and regulation, technology, clearance and settlement, training, securities legislation, privatisation and accounting standards.

The screen-based electronic trading systems, with brokers and traders inputing and matching clients' orders electronically, will be modelled on the Transvik-run "Nordex" market in London, which trades Scandinavian equities worldwide.

To start with, the stock exchange will only list companies based in the Leningrad region.

The joint venture hopes to site the stock market in the old stock exchange building in Leningrad.

Before the 1917 revolution Leningrad was the financial centre of a country that had 117 financial and commodities exchanges.

Hectic trade of UK electricity shares

By Deborah Hargreaves

IN A DAY of hectic trading of UK electricity shares, some foreign investors were taking advantage of the high premium on the shares in UK trading to sell back part of their allocation.

But the overseas allotments were scaled back considerably when the issue became over-

INTERNATIONAL EQUITIES

subscribed in the UK and other investors were looking to increase their holdings.

This created a lot of two-way traffic as dealing houses were inundated with buy and sell orders. Sophisticated institutional investors which bought the shares in the US were engaging in a number of different strategies in which they broke up their packages of shares to sell stocks of companies for which the outlook is not so good.

The shares were sold abroad in packages of 12 regional electricity companies and dealing houses made provisions for investors to trade in entire packages, but most of the business yesterday was done in individual stocks.

While Kleinwort Benson, the government's adviser for the issue, had tried to cut down on the amount of overseas flow back to the UK market by asking underwriters to fill in forms on the intentions of potential investors, many found a 50 per cent premium on the partly paid price hard to resist.

All overseas allocations were scaled back by 25 per cent, meaning that the Japanese received close to £180m ($342m) of shares on a fully paid basis. These were mostly purchased by retail investors with very few large institutional placements. The largest allotment of shares in Tokyo was for less than 1 per cent of the total allocation. In the US, investors bought $600m of stock through the liberalised private placement market which means only institutions can buy the shares.

See Lex

Time for players to take their pick

Deborah Hargreaves on the plans for London's derivative exchanges

When London's two main derivatives exchanges decided to merge earlier this year, they set an ambitious timetable to meld two quite different trading cultures. One of the most time-consuming initiatives has been to develop a joint clearing and settlement system that will take over the existing separate arrangements.

The process has involved a lot of technical discussion to solve problems that go beyond basic clearing and touch on the trading philosophies of both markets. But the clearing committee for the two exchanges which is chaired by Mr Tony de Guingand, head of the London Traded Options Market, has now come up with a series of suggestions that it will put to players on both markets.

"We have come up with the technical solutions," says Mr de Guingand, "and now we have to move it into a more commercial sphere and get a range of opinions from the clearing members." The issues are contentious and although technical, disagreement on clearing could have the power *to break the merger deal.*

"It will mean some quite meaty changes for members of the options market," explains Mr David Hardy, head of the London Clearing House which will clear for the merged market, "and we've got to try and make them acceptable."

The big difference between the two systems is that LCH has no direct relationship with clients and investors doing business in the futures market. Its contract lies with clearing members of the exchanges who execute trades for customers.

These clearing members must put up collateral – called margin – and make themselves responsible for their clients' creditworthiness. In turn, the clearing house will provide a guarantee on trades executed by its members.

The existing system in the options market involves direct contact between the options clearing house and institutional clients. In fact, some large institutional users of LTOM such as unit trusts, are prohibited, by rules in their statutes, from leaving their equity collateral with middlemen such as clearing members.

LCH is currently drawing up rules to accommodate these clients which could involve them setting up direct accounts with the clearing house. These would be treated as sub-accounts of the clearing member which would have overall responsibility for them.

The reason for unit trusts lodging their collateral directly with the clearing house is tied to the need to protect that equity in the event of a default by the clearing member. But, as Mr Hardy points out, that *should be safe if the broker has* segregated his customer funds from the money he uses for trading on his own account.

When the two markets merge in March next year, joint clearing should be in place even if it means slightly different arrangements for equity-type products and financial futures. But it will take longer to harmonise the margins levied for both products.

Margin payments should be lower for the joint exchange since profits in equity options can be used to offset losses in futures. The markets have not yet decided which method they will use for calculating margin payments and will not do so until later next year.

"The integrity of the market is our highest priority," stresses Mr Hardy, "next comes the security of our guarantee and the continuation of the marketplace. Returns to members are quite low down the scale." The ultimate financial responsibility for trades in the futures market rests with the clearing house which provides a last resort guarantee in the event of a default.

The clearing house guarantees delivery of the underlying instrument in a futures or options contract – or cash if the product is cash-settled. This can often mean the *LCH has itself to act* in the market if one of its clients cannot pay up on time. The guaranteed delivery is new to options players and delivery will be a whole new routine for them to get used to.

The clearing house's guarantee puts the emphasis on good risk management procedures at the clearing house where staff closely monitor all players in the London markets. The collapse of Drexel earlier this year threw the spotlight on this procedure. "It showed us that you can't look to a group to support a subsidiary and the strength of the subsidiary is inextricably entwined with the health of the parent," says Mr David Stuart, director of risk management at the LCH.

In a bid to introduce some system into the way it assesses a broker's risk, the clearing house is looking to the development of an artificial intelligence process that would help to formalise judgments on its members. Much of the clearing house's experience in determining the risk profile of one of its members rests with its own staff who will often have long-established contacts in the markets.

While the clearing house can see a member's overall financial position in the markets for which it clears, it often has to rely on subjective perceptions of a firm's exposure in other sectors and of the creditworthiness of its customers.

Good risk management means lower fees for clearing members since it cuts down on the risks in the system. For this reason, and due to economies of scale in clearing for a larger market, the LCH has trimmed its charges from 75 pence a trade 10 years ago to threepence now.

One of the reasons for the LCH's close attention to costs is the sensitivity that surrounds the existence of a clearing house as a body separate from the market for which it clears. Many overseas markets have in-house clearing divisions with a financial guarantee put up by the members themselves. London's markets have, at various times, debated creating their own operations.

London's markets are still looking at clearing for themselves in a debate that is likely to surface repeatedly. Once LTOM and Liffe are one in the London Derivatives Exchange, they may try to do their own clearing, but to retain the economies of scale built up by the LCH, they will have to cover all of the city's markets.

Derivatives exchanges seek tax reform

By Deborah Hargreaves

MR JOHN MAJOR, as UK chancellor, prompted a wave of interest in the London derivatives markets when he clarified the tax treatment of the products in the March Budget. London's exchanges have seen more highly conservative pension funds turning to the markets in the past year.

The exchanges are looking to cash in on the progress made by lobbying to clear up further tax anomalies in a bid to improve London's status as a centre for derivatives. They were assisted in last year's campaign by the fact that competition from other European centres is growing and because that year France's Matif outstripped the London International Financial Futures Exchange in contract volume for the first time.

Now, the exchanges hope to influence the government to make legislative changes in the tax code to prevent foreign-owned funds from incurring UK income tax if they are managed in London.

The exchanges say current uncertainty surrounding the eligibility of these managed futures funds for UK tax, can discourage some of them from putting money into London and may prompt them to seek a more favourable tax environment elsewhere in Europe.

The exchange's lobby is particularly pertinent in the current environment which is seeing a substantial movement of US funds into the European markets to take advantage of new derivatives products.

US-based funds will employ a UK manager to invest their cash in European derivatives. Since the cash is owned by US investors, the fund managers are keen to see it does not become eligible for UK tax. The problem in setting up a system to exclude US funds, is to ensure no tax loophole is created which may be exploited by UK investors.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday December 11 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Dec 10: Index No.	Fri Dec 7: Index No.	Thu Dec 6: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (196)	725.24	-0.6	14.66	6.58	8.32	35.31	729.41	730.15	727.03	904.23
2	Building Materials (26)	983.34	+0.4	14.66	6.21	8.40	45.71	979.45	987.25	987.27	1080.27
3	Contracting, Construction (34)	1137.93	-0.4	16.47	7.07	7.89	59.58	1142.55	1145.24	1153.67	1467.03
4	Electricals (10)	1919.97	-0.7	14.64	6.95	8.36	99.22	1934.34	1940.33	1905.78	2609.21
5	Electronics (26)	1528.98	-0.6	10.47	5.62	12.73	61.02	1538.16	1539.89	1535.49	1930.70
6	Engineering-Aerospace (8)	399.15	-2.1	16.82	6.11	7.12	17.27	407.51	410.60	401.31	0.00
7	Engineering-General (48)	370.29	-0.6	15.69	6.93	7.69	19.28	372.59	373.22	371.43	0.00
8	Metals and Metal Forming (8)	412.04	-0.3	22.05	8.33	5.60	25.45	413.18	411.53	411.28	467.31
9	Motors (13)	295.05	-1.1	16.93	8.15	6.88	17.45	298.45	300.88	300.32	375.39
10	Other Industrial Materials (23)	1267.24	-0.9	13.30	6.45	8.70	62.67	1278.13	1267.76	1259.91	1746.77
21	CONSUMER GROUP (178)	1231.07	-0.7	9.99	4.21	12.44	38.20	1240.24	1238.49	1236.20	1313.71
22	Brewers and Distillers (22)	1579.74	-0.2	10.31	3.93	11.95	42.93	1583.38	1590.14	1572.85	1508.80
25	Food Manufacturing (19)	1031.02	-0.1	11.28	4.80	10.90	34.87	1031.71	1029.09	1024.83	1153.76
26	Food Retailing (16)	2263.40	-1.1	9.93	3.32	13.15	64.97	2289.16	2305.62	2310.63	2302.00
27	Health and Household (18)	2560.15	+0.5	6.94	2.96	17.07	59.28	2548.37	2514.40	2546.92	2717.54
29	Leisure (32)	1228.73	-0.6	12.09	5.41	10.03	48.00	1235.86	1245.15	1242.23	1622.60
31	Packaging & Paper (12)	527.65	-0.5	12.21	6.60	10.06	24.32	530.31	530.47	523.04	546.96
32	Publishing & Printing (13)	2958.66	-0.9	12.15	6.41	10.30	140.95	2984.64	2996.40	2988.80	3798.59
34	Stores (34)	801.98	-3.4	10.65	4.55	12.20	25.73	830.42	827.98	819.51	789.05
35	Textiles (12)	433.19	-1.3	13.45	8.20	9.55	27.62	439.01	439.47	437.17	526.52
40	OTHER GROUPS (105)	1017.59	-0.6	12.39	5.70	9.78	35.54	1023.78	1023.05	1022.97	1171.35
41	Agencies (14)	927.22	+1.0	11.47	3.62	10.56	25.06	918.06	906.90	909.61	1569.89
42	Chemicals (24)	1086.49	+0.3	12.48	6.21	9.46	51.96	1082.75	1071.26	1071.08	1215.86
43	Conglomerates (13)	1293.99	-0.6	13.33	7.73	9.00	45.14	1301.37	1312.57	1321.95	1642.71
44	Transport (15)	1920.26	-0.5	13.56	5.33	9.07	79.19	1930.60	1941.28	1926.88	2279.09
46	Telephone Networks (3)	1157.09	-1.3	11.56	4.36	11.25	27.94	1172.85	1179.27	1180.40	1185.54
47	Water (10)	2170.15	-2.9	13.37	6.77	8.48	68.12	2235.85	2194.95	2168.71	0.00
48	Miscellaneous (26)	1596.29	+0.4	11.74	5.56	9.90	66.29	1589.95	1584.34	1584.28	1922.23
49	INDUSTRIAL GROUP (479)	1042.41	-0.7	11.75	5.19	10.44	37.64	1049.35	1048.65	1046.74	1181.08
51	Oil & Gas (21)	2285.11	-0.7	9.79	5.57	13.34	95.42	2300.66	2309.46	2300.49	2413.60
59	500 SHARE INDEX (500)	1144.87	-0.7	11.46	5.25	10.79	42.32	1152.51	1152.52	1150.06	1283.79
61	FINANCIAL GROUP (102)	730.06	-1.1	-	6.57	-	35.36	738.34	741.22	734.55	833.16
62	Banks (9)	775.26	-1.5	20.79	7.47	6.30	43.40	787.45	796.55	782.09	857.86
65	Insurance (Life) (7)	1329.02	-1.1	-	5.78	-	55.82	1344.34	1340.54	1337.96	1398.86
66	Insurance (Composite) (6)	641.82	-0.7	-	6.66	-	32.08	646.45	643.55	641.45	712.84
67	Insurance (Brokers) (8)	989.73	-1.3	7.65	6.53	17.13	48.39	1002.36	1006.74	1013.17	1140.99
68	Merchant Banks (7)	357.18	-0.2	5.43	5.76	24.56	15.48	358.00	361.08	360.47	474.55
69	Property (44)	982.26	-0.9	7.20	5.07	18.78	35.10	991.50	992.04	986.87	1215.93
70	Other Financial (21)	254.11	-0.3	10.96	7.14	11.57	14.00	254.96	254.79	253.18	330.77
71	Investment Trusts (70)	1024.85	-0.1	-	3.94	-	29.58	1025.57	1025.80	1022.31	1286.37
91	Overseas Traders (5)	1215.17	-1.6	11.75	7.60	10.13	70.90	1234.84	1247.26	1243.83	1540.00
99	ALL-SHARE INDEX (677)	1042.43	-0.7	-	5.42	-	40.20	1049.99	1050.67	1047.33	1177.00

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 10	Dec 7	Dec 6	Dec 5	Dec 4	Year ago
FT-SE 100 SHARE INDEX♦	2165.8	-16.7	2185.8	2163.2	2182.5	2183.4	2177.5	2152.6	2146.3	2363.5

FIXED INTEREST

	PRICE INDICES	Tue Dec 11	Day's change %	Mon Dec 10	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	119.92	-0.05	119.99	-	11.51
2	5-15 years	129.56	+0.18	129.32	-	12.37
3	Over 15 years	131.83	+0.33	131.39	-	11.90
4	Irredeemables	148.61	+0.03	148.57	-	13.70
5	All stocks	128.34	+0.11	128.20	-	12.17
	Index-Linked					
6	Up to 5 years	157.62	-0.25	158.02	-	3.04
7	Over 5 years	145.29	-0.16	145.67	0.15	3.60
8	All stocks	146.10	-0.17	146.48	0.13	3.55
9	Debentures & Loans	103.47	+0.03	103.44	-	11.35
10	Preference	74.05	+0.08	74.00	-	6.66

	AVERAGE GROSS REDEMPTION YIELDS		Tue Dec 11	Mon Dec 10	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.64	9.62	10.35
2		15 years	10.04	10.07	9.73
3		25 years	10.09	10.11	9.63
4	Medium Coupons	5 years	10.80	10.79	11.22
5		15 years	10.42	10.46	10.10
6		25 years	10.26	10.31	9.72
7	High Coupons	5 years	10.94	10.92	11.36
8		15 years	10.60	10.65	10.31
9		25 years	10.42	10.48	9.87
10	Irredeemables	†	10.30	10.30	9.71
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.00	3.86	3.66
12	Inflation rate 5%	Over 5 yrs.	4.14	4.13	3.63
13	Inflation rate 10%	Up to 5 yrs.	2.78	2.63	2.83
14	Inflation rate 10%	Over 5 yrs.	3.96	3.95	3.47
15	Debs & Loans	5 years	12.60	12.59	12.97
16		15 years	12.39	12.38	12.49
17		25 years	12.17	12.17	12.13
18	Preference	†	12.75	12.75	10.79

♦Opening index 2185.4; 9 am 2182.6; 10 am 2182.8; 11 am 2179.6; Noon 2177.8; 1 pm 2174.6; 2 pm 2174.8; 2.30 pm 2175.2; 3 pm 2170.4; 4.10 pm 2165.5; (a) (b) † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. YEAR END RECLASSIFICATIONS: 48 changes are tabulated on page 18 of the December 10th issue of the Financial Times.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	100	97	Aberforth Smaller Co's.	98	-1	-	-	-	-
-	F.P.	-	30	28	Do. Warrants	30		-	-	-	-
†	F.P.	-	213	206½	Daimler Benz DM50	208½	+	Q37½%	11.9	3.0	2.8
240	100	-	169	149	East Midlands Elect. 50p	150½		R15.04	1.7	5.6	12.6
240	100	-	149½	143	Eastern Elect. 50p	148		R14.45	1.6	5.4	13.6
$100	F.P.	-	103	103	#Eidos 10p	103		-	-	-	-
2	F.P.	-	4½	3	Finlan Group 1p	3		-	-	-	-
240	100	-	152½	140	London Elect. 50p	142		R14.9	1.7	5.8	12.0
-	F.P.	-	22	19	#MBN 1p	19		¶1.0	2.4	7.0	7.3
240	100	-	179	164	Manweb 50p	166		R16.0	1.8	5.4	12.0
240	100	-	159½	144	Midlands Elect. 50p	144		R15.04	1.8	5.8	11.3
240	100	-	157½	139	Northern Elect. 50p	142½		R16.25	1.9	6.3	10.0
240	100	-	156	149½	Norweb 50p	152		R15.63	1.7	5.7	13.3
†	F.P.	-	17	8	#Paramount 2½p	9½		-	-	-	-
†	F.P.	-	53	31	#Pelican 20p	33		-	-	-	-
1700	1000	-	1600	1500	Reg. Elect. Pkg. Unit	1508		-	-	-	-
240	100	-	151	139	Seeboard 50p	142		R14.76	1.7	5.8	12.8
$100	F.P.	-	96	70	Smaller Cos. Inv. Tst 50p	70		-	-	-	-
-	F.P.	-	25	18	Do. Warrants	18		-	-	-	-
240	100	-	169	159	South Wales Elect. 50p	164		R15.96	1.9	5.4	12.0
240	100	-	158	148	South Western Elect. 50p	150		R15.2	1.6	5.6	13.5
240	100	-	157	149½	Southern Elect. 50p	150		R14.45	1.6	5.4	13.5
†	F.P.	-	126	109	Unichem 10p	118		¶4.5	2.5	5.1	8.9
240	100	-	173	159½	Yorkshire Elect. 50p	159½		R15.44	2.1	5.4	11.0

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
-	Nil	-	63pm	58pm	BTR Warrants 1994-95	62pm	
580	Nil	-	83pm	18pm	Brit. Borneo Pet. 10p	18pm	-2
25	Nil	-	¼pm	¼pm	England (J.) 5p	¼pm	
45	Nil	-	4pm	3pm	Excalibur Group 5p	3pm	
90	Nil	-	3pm	¼pm	*Harmocell	3pm	
240	Nil	-	20pm	13pm	Harvey & Thompson 20p	17pm	
2½	Nil	-	¼pm	¼pm	#Int'l. Media Comms. 1p	¼pm	
25	Nil	-	¼pm	¼pm	Strong & Fisher	¼pm	
6	Nil	-	½pm	¼pm	#Surrey Group 5p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. # Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
100	F.P.	-	101	63	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	65	-2
-	-	-	83	68	Brent Walker Capital 13pc Cv Cap Bd	83	
‡	P/P	29/11	38p	32¾p	‡Gasmaster Group Cv. Rd. Prf. 70p	35p	
35	-	-	32½	32½	Gronewood Securities 8pc Cv Ln 2000	32½	
100p	F.P.	28/9	104p	91p	Perkins Foods 8p (Net) Cv Rd Pf	103p	
100p	F.P.	-	121p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	118½p	+½
100	F.P.	-	110½	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	106¼	-½
100p	F.P.	-	110p	103p	Worcester Gro Rd Cv Pf	108p	
100p	F.P.	-	105p	43p	Wyndham Group 9.375pc Cn.Pf	50p	

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	37	35	14
Corporations, Dominion and Foreign Bonds	5	1	15
Industrials	229	336	993
Financial and Properties	129	130	488
Oils	17	25	50
Plantations	0	3	7
Mines	37	26	90
Others	70	46	101
Totals	524	602	1,758

TRADITIONAL OPTIONS

- First Dealings Nov 28
- Last Dealings Dec 14
- Last Declarations Mar 7
- For settlement Mar 18

For rate indications see end of London Share Service

Calls in: Berisford Int., Conroy Pet., Ferranti, Next, Templeton Galbraith.

LONDON TRADED OPTIONS

THE START of trading in electricity shares commanded the attention of the derivative markets yesterday, with dealing in traded options boosted by activity in the Regional Electricity Package and Eastern Electricity.

The electricity contracts accounted for a quarter of all option turnover with the bulk of activity concentrated in the Package. One large mildly bearish trade in the January 1,500 and 1,450 puts boosted dealing.

Electricity options were initially expensively priced. The January *1,600 call package began at 65* before a last trade of 40 and quotation of 25-35.

The implied volatility, a measure of anticipated price movement, for many of the January electricity options, started at 35 per cent, before closing at around 26 per cent. A higher implied vol*atility will make* options more expensive as it suggests greater risk of large price variation in the underlying shares.

The larger institutions tended to stay on the sidelines as many had received insufficient electricity shares to make trading in options worthwhile, said Mr Charles Annandale, director of equity derivatives at Barclays de Zoete Wedd. However, *smaller institu*tions sold calls against stock, while other investors bought puts.

The Regional Package traded 4,748 contracts, of which 3,017 were puts and 1,731 were calls. The January 1,500 puts were the most active. Eastern Electricity traded 2,142, most of which were calls, with the March 160 the busiest.

Pilkington was actively traded on renewed speculation that Hanson or BTR could make a bid led to active dealing in calls, particularly the February 160 series.

Among the other options, the FT-SE Index traded 5,905, with the January 2,300 calls featuring. In the futures market, the December FT-SE closed at 2,175, down 12. Dealing was boosted by switching into March.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*484)	460	37	58	63	7	15	19
	500	13	35	40	25	32	35
	550	3½	15	-	66	68	-
ASDA (*123)	110	17	21	-	2	5	-
	120	10	14	19	5	9	11
	130	4	9½	15	11	15	17
Brit. Airways (*150)	140	16	22	24	4	9	13
	160	5½	13	14	14	17	20
	180	2	6	-	32	31	-
SmKl Beecham A (*610)	550	69	87	103	3	12	16
	600	30	53	72	18	27	35
	650	9	30	47	47	55	60
Boots (*328)	300	34	48	55	3½	9	12
	330	14	29	35	11	19	23
	360	4	15	21	34	36	38
B.P. (*323)	330	11	21	28	15	19	24
	360	3½	11	17	39	41	43
	390	1½	4½	-	69	70	-
British Steel (*123)	120	7½	13½	15	4	5½	9
	130	3½	8	9½	9	11	15
Bass (*1034)	1000	55	100	125	18	32	42
	1050	29	70	94	40	55	65
	1100	12	47	-	77	85	-
C & Wire (*451)	420	44	63	75	5½	16	20
	460	17	38	50	21	30	35
	500	6	20	32	53	57	60
Courtaulds (*340)	330	23	36	42	9	14	19
	360	7	21	26	25	29	34
	390	3	10	-	53	53	-
Com. Union (*503)	460	55	65	75	3½	14	16
	500	23	37	53	17	28	29
	550	5½	13	-	51	60	-
GKN (*334)	300	43	49	55	5	10	14
	330	20	28	38	11	25	28
	360	7	16	-	30	43	-
Grand Met. (*643)	600	53	71	90	8	18	24
	650	18	41	58	32	40	48
	700	6	22	-	72	75	-
I.C.I. (*916)	900	46	68	85	23	52	60
	950	22	42	-	49	80	-
	1000	8	25	-	89	114	-
Kingfisher (*377)	330	53	68	-	1½	6	-
	360	31	45	54	9	14	22
	390	10	32	37	24	28	34
Ladbroke (*261)	260	14	25	35	9½	17	21
	280	6½	16	23	22	27	31
	300	3	9	-	40	41	-
Land Secur (*536)	460	82	100	107	2	4	8
	500	48	67	75	4½	11	18
	550	16	37	44	27	30	38
M & S (*239)	220	19	30	34	3½	7½	10
	240	8	17	23	14	17	19
STC (*322)	300	23	23	23	1	1½	1½
	330	1	1½	2	14	15	18
Sainsbury (*298)	280	25	37	42	3½	7	11
	300	12	24	30	12	16	19
Shell Trans. (*447)	420	38	45	58	5	13	17
	460	12	22	37	20	33	37
Storehouse (*110)	110	6	12	16	6	9	11
	120	3	8	11	13	15	17
Trafalgar (*189)	180	19	29	30	7	13	20
	200	8	19	20	17	23	30
Utd. Biscuits (*319)	300	28	35	42	4½	10	14
	330	9	17	26	19	27	29

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Unilever (*683)	650	47	70	84	13	24	30
	700	18	42	57	32	45	52
Ultramar (*331)	330	16	30	38	13	20	23
	360	4½	15	23	33	38	43

Option		Calls Jan	Calls Mar	Calls May	Puts Jan	Puts Mar	Puts May
Elec. Pkg. (*£1505)	1500	75	125	180	50	75	90
	1550	50	110	140	80-	100	110
Eastern Elec (*148)	140	13	18	23	3½	6	8
	160	3½	7½	13	15	17	19
Southern Elec (*150)	140	15	20	24	3½	5	7
	160	4½	9	13½	13	14	16

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit. Aero (*532)	500	54	65	78	12	25	30
	550	24	35	52	34	48	52
BAA (*414)	390	42	60	67	9	14	20
	420	23	42	51	22	27	32
BAT Inds (*600)	600	34	50	67	25	40	45
	650	16	-	-	57	-	-
BTR (*337)	330	24	31	40	11	20	23
	360	9	17	-	30	38	-
Brit. Telecom (*286)	280	16	27	33	10½	13½	16
	300	7	17	23	23	24	28
Cadbury Sch (*329)	300	40	44	54	4½	10	12
	330	20	27	37	15	23	24
Guinness (*773)	750	55	75	98	20	33	40
	800	30	50	70	45	55	62
GEC (*170)	160	15	22½	25	3½	6	10
	180	5	11½	14	15	17	20
Hanson (*196)	180	17	22	25½	5	7½	9
	200	5	11½	15	11½	17	18
LASMO (*378)	360	38	-	-	12	-	-
	390	23	35	47	27	35	40
Lucas Inds (*136)	130	14	18	26	7	11	13
	140	8	13	20	11	15	18
P. & O. (*539)	500	59	70	84	14	27	31
	550	28	43	57	32	52	57
Pilkington (*169)	160	17	25	27	6	8½	14
	180	7½	14	-	16	18	-
Prudential (*206)	200	15	19	25	5	10½	12
	220	5	8½	15	16	22	24
Racal (*184)	180	19	27	31	9½	12	15
	200	7½	16	21	20	23	25
R.T.Z. (*446)	420	47	54	67	11	22	26
	460	23	32	45	28	42	45
Scot. & New (*356)	330	35	49	55	7	12	15
	360	19	31	38	20	25	30
Tesco (*222)	220	17	22	28	7½	10½	12
	240	7	12	18	20	23	24
Thames Water (*257)	240	24	32	35	6	9½	13
	260	11	20	24	15	17	22
Water Hldg Pkg (*£2595)	2350	400	-	-	20	-	-
	2400	370	-	-	40	-	-

Option		Calls Jan			Puts Jan		
Ferranti (*13)	20	1	-	-	8	-	-
	25	½	-	-	15	-	-

Option		Calls Dec	Calls Feb	Calls Apr	Puts Dec	Puts Feb	Puts Apr
Fisons (*374)	360	16	29	36	5	10½	15
	390	2	13	20	20	26	30

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*231)	220	12	23	25	1	8	10
	240	2	10	16	10	18	19
Amstrad (*64)	60	6	11	14	2	5	7
	70	1	5½	10	7½	10	12
Barclays (*374)	360	-	36	42	-	21	24
	390	-	19	27	-	37	42
Blue Circle (*215)	200	17	29	35	1½	7	13
	220	4	17	25	9	16	24
British Gas (*236)	220	17	24	32	1	6½	8
	240	3½	13	20	7	15	15
Dixons (*140)	130	13	18	24	1	6	10
	140	6	12	18	4	10	14
Glaxo (*863)	850	22	64	90	9	34	42
	900	4	36	-	42	60	-
Hawker Sidd. (*435)	420	22	47	57	7	22	30
	460	3	25	32	30	40	53
Hillsdown (*244)	240	8	22	28	4	12	17
	260	1½	13	19	18	23	28
Lonrho (*226)	220	-	17	26	-	16	18
	236	4	-	-	12	-	-
Midland Bk (*200)	180	22	32	34	1	10½	13
	200	28	33	36	2	7	19
Reuters (*667)	650	38	78	100	15	55	68
	700	8	57	80	42	85	95
R. Royce (*160)	160	4	13½	16½	5	11	14
	180	¼	6½	8½	21	23	26
Sears (*83)	80	5	11	14	2	6	7½
	90	1½	5½	8	9	10	13
THF (*264)	260	7½	23	27	3	10	16
	280	2½	11	18	18	21	27
Thorn EMI (*657)	650	28	50	70	11	25	35
	700	2½	27	43	48	50	59
TSB (*137)	130	9	14	18	1	4	6½
	140	2	8	11	4½	9	14
Vaal Reefs (*357)	60	4	10	13	4	9	12
	70	2½	5	9	14	16	17
Wellcome (*435)	420	20	49	64	4	21	27
	460	4	27	45	28	40	47

EURO FT-SE INDEX (*2166)

	1975	2025	2075	2125	2175	2225	2275	2325
CALLS								
Dec	201	153	106	65	33	13	4	1½
Jan	222	178	132	98	68	43	25	15
Feb	-	198	-	125	-	70	-	33
Mar	-	218	-	145	-	90	-	50
Jun	-	265	-	200	-	143	-	100
Sep	-	302	-	239	-	185	-	140
PUTS								
Dec	2½	4½	6	15	30	62	108	151
Jan	13	20	27	40	56	80	113	151
Feb	-	31	-	55	-	95	-	157
Mar	-	42	-	68	-	115	-	170
Jun	-	57	-	88	-	128	-	178
Sep	-	68	-	94	-	136	-	185

FT-SE INDEX (*2166)

	2000	2050	2100	2150	2200	2250	2300	2350
CALLS								
Dec	182	135	88	49	20	7	2½	1
Jan	200	157	118	83	55	35	20	11
Feb	222	180	143	108	80	58	40	-
Mar	238	198	162	130	102	77	57	-
Jun †	278	-	210	-	150	-	105	-
PUTS								
Dec	3	5	9	21	49	95	144	194
Jan	18	24	36	53	79	111	150	195
Feb	27	37	50	68	93	123	159	-
Mar	35	45	58	78	100	129	164	-
Jun †	58	-	84	-	123	-	183	-

December 11 Total Contracts 31,913
Calls 19,500 Puts 12,413
FT-SE Index Calls 3,460 Puts 2,446
Euro FT-SE Calls 61 Puts 408
*Underlying security price. † Long dated expiry months.

UK COMPANY NEWS

Brewing activities offset slowdown from hotel operations

Vaux improves 13% to £35.8m

By Philip Rawstorne

VAUX, the Sunderland-based brewing and hotels group, yesterday reported a 13 per cent increase in full year pre-tax profits from £31.6m to £35.8m.

The hotel operations were hit by the downturn in the economy but Mr Paul Nicholson, chairman, said a robust performance by the brewing and pubs business confirmed the group's commitment to remain in brewing.

Below the line, there was an extraordinary profit – net of a £1m contribution to Vaux's new charitable foundation – of £5.8m from the sale of five hotels.

Trading profits during the year ended September 29 were £35.4m (£30m) on turnover up 13 per cent from £221.2m to £250.6m.

Interest charges rose sharply from £268,000 to £1.88m.

The profits contribution from brewing, helped by the acquisition of 80 pubs, rose nearly 25 per cent to £12.35m (£9.9m) – proving, said Mr Nicholson, that a mix of good regional ales and international lager brands could "provide a good living."

Cask beer sales were up 10 per cent and the group was finding new niche markets – such as the 500 barrels a week of low-alcohol lager it was now brewing for Labatt's Canadian market.

Vaux Inns increased profits from £3.6m to £4m on turnover of £30.7m (£28.8m).

The Blayney off-licence chain had successfully added 39 confectionery, tobacconist and news shops to its 185 liquor stores and increased profits by 33 per cent from £1.4m to £1.8m.

Swallow hotels, with 9 per cent of its rooms out of commission because of alteration projects, pushed profits ahead 5.8 per cent to £16.4m (£15.5m) on turnover up from £66.3m to £73.5m.

The occupancy rate had fallen from 69 per cent to 66 per cent as residential business seminars and training courses had been cut back.

Mr Nicholson said the downturn had continued into the new financial year. He added, however, that the other divisions were trading well and that he expected continuing growth provided the recession got no worse.

Earnings per share grew 9 per cent to 20.3p (18.61p).

A final dividend of 5.78p is proposed, increasing the total by 11.7 per cent to 8.76p (7.84p).

● COMMENT

Growth in brewing profits in the current year seems unlikely to compensate so neatly for continuing difficulties in hotel trading. But Swallow's occupancy rates are still running at a higher level than the industry average and prospects for its new five star hotel in Birmingham should improve this year. Both nursing homes and shops are expected to hold up well. Planned expenditure this year amounts to £60m and gearing is expected to rise from 15 per cent to 22 per cent. The forecasts suggest a slower profit growth to about £37.5m with earnings per share marginally higher at 20.7p and a prospective p/e of a reasonable 10.5. The shares, at 214p with asset backing of 354p, are rated a hold.

Lower property profits check Devenish

SHARPLY REDUCED profits from property sales led to a fall of nearly 20 per cent, from £14.02m to £11.26m, in annual pre-tax profits at JA Devenish, the west country-based brewer, writes Philip Rawstorne.

Trading profit for the 12 months to September 30 rose from £9.48m to £9.85m on turnover ahead to £96.65m (£84.44m).

But the contribution from property sales, buoyed last time by the disposal of the bottling hall in Weymouth, fell by more than £3m to £1.41m. Interest charges were marginally higher at £4.1m.

The managed estate of 208 pubs registered a 16 per cent growth in operating profits from £10.5m to £12.2m.

"This was despite clear signs, particularly in the second half of the year which is our key trading period, that interest rates, increased mortgage costs and rising inflation have had an impact on our customers' disposable income," said Mr Michael Cannon, chairman.

World Cup soccer also hit the pub business in June, and there was a small decline, from £2.7m to £2.5m, in the contribution from the tenanted pub estate.

The Redruth brewery lost £200,000. Overall beer volumes increased by 5 per cent to 109,000 barrels, still 11,000 barrels short of the company's target. Efforts to obtain packaging and brewing contracts have brought "an encouraging increase" in volume during the early weeks of the new financial year.

Fully diluted earnings per share dropped from 22.98p to 15.55p. However, the final dividend is 4.25p, raising the total for the year by 14 per cent to 5.3p (4.65p).

● COMMENT

Things might have been worse, but are clearly not going to get much better in the current year. Forecasts suggest pre-tax profits for 1990-91 of about £12m. The brewery's delayed move into profitability is a key issue. Devenish may be forced eventually to quit brewing unless the business can be boosted by securing further outside contracts. The managed estate is doing well but the performance will have to be maintained – which may not be easy if capital spending is contained. The market would become nervous about interest cover if there is a further increase in debt. That said, the shares have been substantially underperforming, and with an asset backing of 285p per share compared to their current 132p level, some bold punters may step in.

Danes get Fresh with £92.4m purchase

By Clay Harris, Consumer Industries Editor

THE DANES are on the doorstep in northern England. MD Foods, Denmark's largest dairy group and the maker of Lurpak butter, is to buy Associated Fresh Foods in a deal valuing the UK milk and dairy products supplier at £92.4m.

AFF, which was the subject of a £65m management buy-out from Asda in 1987, had suggested in July that it planned a stock market flotation next year. The Leeds-based company changed its mind after receiving the offer from MD Foods.

The deal includes Associated Dairies, the original business from which the Asda superstore chain grew and then outgrew. It now delivers fresh milk to 650,000 northern homes and to retail outlets throughout the UK. AFF's Cravendale Foods subsidiary markets other dairy products.

The Danish company is paying £43.4m for AFF's equity and assuming responsibility for £49m in long-term debt.

About 250 members of AFF's management will share more than £7m. Mr Frank Blake, managing director, declined yesterday to say how much he and his colleagues had invested on preferential terms, but they appear to have multiplied their outlay by at least 3½ times in the same number of years.

MD Foods, a co-operative which had sales of DKr11.9bn (£1.1bn) in the year to October 1989, has been seeking opportunities for expansion since last year. Its vehicle for the AFF purchase, MD Foods International, is also backed by the Danish Dairy Board and institutional investors.

In addition to Lurpak, MD Foods exports cheese under the Danish Blue brand. The UK is its largest single export market.

AFF reported pre-tax profits of £3.6m, after an interest charge of £7.4m, on sales of £164m in the year to April 30.

Finance for the original buy-out was arranged by 3i. In the latest deal, AFF was advised by Lazard Brothers and MD Foods by Unibank.

Downturn in domestic heating demand clips BSS by 8%

By Jane Fuller

WEAK DEMAND for domestic heating equipment lay behind an 8 per cent fall in interim profits at BSS Group, which also distributes heating and other pipeline gear to the industrial and commercial sectors.

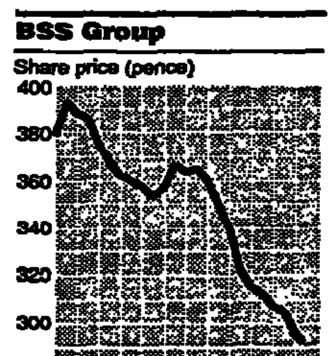
While turnover for the six months to end-September rose by 33 per cent to £107.86m (£81.39m), reflecting last year's domestic heating acquisitions, taxable profit fell to £6.08m (£6.63m).

Trading profit was slightly ahead at £7.4m (£7.02m), but interest costs more than trebled to £1.33m (£386,000).

Mr Alan Milne, financial director, said that while 20 per cent of the sales growth came from the Labone and Heatek acquisitions, which supply the domestic market, there had been about 8 per cent real growth in the established industrial and commercial businesses.

As the domestic market was down 12 per cent and the industrial side was at best flat, this pointed to gains in market share, he said.

But profits had been hit on the domestic side, which was affected by the slump in house-



building and fewer house moves. Margins had held up quite well in the bigger, industrial and commercial operations.

Earnings per share fell to 18.6p (22.4p) as a result of last autumn's 1-for-10 rights issue at 425p. The interim dividend is held at 5.75p.

● COMMENT

When BSS spent £15m to buy Labone and Heatek last year, it knew it was getting into domestic heating at the bottom of the cycle. The hope was that the new business, which now accounts for about 30 per cent of turnover, would recover in time to offset the trough in commercial building. Now the worry is that the commercial-industrial side is following domestic demand downwards. BSS should, however, limit the damage even if it cannot avoid an unhappy overlap of weak markets. First, there are one or two signs that demand is picking up for domestic heating equipment and this may be helped by the early blizzards. Longer term, the theory is that a wave of systems installed in the 1970s is ready for renewal. Second, the strength of BSS's national network supplying commercial customers should mean that it will be one of the least hard hit by the downturn. One quibble is that borrowings are set to stay higher than desirable during a difficult period. A forecast pre-tax profit of £13.5m, compared with £14.5m last year, gives a prospective multiple of about 7 on yesterday's closing price of 292p, down 3p. As a small profit decline is also expected next year, the price looks, as one analyst described it, finely poised.

Higher interest income behind Blick's 5% advance to £5.7m

By Richard Gourlay

BLICK, the workplace clocking-in equipment company, reported a 5 per cent increase to £5.7m in pre-tax profits for the year to September 30.

Interest receivable increased from £200,000 to £573,000.

Turnover was £22.03m (£21.77m), a fall in equipment sales being more than offset by increased business with its existing customer base.

A recommended final dividend of 4.5p, lifts the total for the year to 7p, up 6 per cent.

After tax of £1.61m (£1.6m) earnings per share were 19.63p (18.62p).

During the year cash balances increased from £2.1m to £3.8m and clawed back more than £1.5m in working capital. The market was relieved that the company was continuing to generate cash and the shares closed 16p up at 157p.

While sales of new time recorders, pagers and communications equipment fell an aggregate of 8 per cent in Blick Time Systems, sales to the existing customer base, where margins are much higher, increased by 14 per cent.

Mr Alan Elliot, chairman, said the economy appeared gloomier today than a year ago but that the company's resilience had shown through in profits earnings and the increased dividend.

● COMMENT

With cash growing in the bank and resilience within the existing customer base, Blick might appear to be in an enviable position as recession deepens. An imminent deal with its Japanese supplier allowing it to distribute in Europe will also open up an as yet untapped market.

However, Blick operates in a world where institutional investors are decidedly cool about small companies, however well they are performing. Until interest rates fall, triggering more demand and perhaps a resurgence of confidence in the smaller sector.

Blick's likely earnings of £6m for next year, giving earnings of 19.4p on a slightly higher tax charge, means the 8 times prospective multiple is unlikely to excite too much interest.

NEWS DIGEST

Union Discount stake sold

IEP GROUP, Sir Ron Brierley's UK investment vehicle, has sold its 28.2 per cent stake in Union Discount, the City of London discount house, writes David Lascelles, Banking Editor.

The shares were placed with 35 investment institutions by Smith New Court at a price of about 550p.

Mr Graeme Gilchrist, the managing director of Union, said he was delighted by the news because a holding of that size always had the potential to be unstable.

IEP began building up its stake in several stages 1987. Since then Sir Ron has acquired several other UK investments, including GPG, the financial services group, Mount Charlotte, the hotels chain, and a 20 per cent stake in Vickers, the engineering group.

The decision to sell the Union stake is believed to reflect IEP's need to rationalise these investments.

Union's shares closed last night at 565p, down 14p.

Seton Healthcare

As well as reporting its first set of results since coming to the market in July, Seton Healthcare Group announced an open offer of 2.24m new ordinary shares at 135p apiece to raise £2.87m, net of expenses.

The company also announced the acquisition, from Reckitt & Colman, of two muscular pain relief creams for £1.35m cash.

The maiden interim results – for the six months to August 31 – showed a significant increase, from £387,000 to £658,000, in pre-tax profits on turnover up from £12.94m to £13.8m. Earnings advanced to 3.4p (2.3p) per share and there is an interim dividend of 0.4p.

The offer is on the basis of one share for every eight held on December 3. The funds raised will strengthen the group's balance sheet and enable it to take advantage of further favourable acquisition opportunities.

Guinness Mahon is conditionally placing new shares with institutional and other clients of Beeson Gregory.

Richards

Richards, the Aberdeen-based textile company, increased taxable profits from £2.77m to £2.82m in the year to end-September. A final dividend of 2.93p makes a 4p (3.75p) total.

At year-end there were no borrowings and cash balances of £2.9m after capital spending during the year of £2.6m.

Turnover totalled £72.34m (£74.24m). Earnings were 9.18p (8.96p).

Perpetual

Taxable profits of Perpetual, the unit trust manager, were unchanged at £1.7m in the year to September 30.

Total revenue improved to £8.33m (£6.24m) but administration costs rose from £4.52m to £6.61m.

Earnings per share were 4.97p (4.66p) and the proposed final dividend is again 1.7p for a maintained total of 2.5p.

Northamber

Northamber, a supplier of computers and associated products, reports a sharp drop in taxable profits from £3.15m to £219,000 in the six months to October 31, continuing a trend that began with the first full year decline last April.

The £1.93m profits decline came on turnover down to £42.43m (£54.22m), operating profit at £543,000 (£2.64m) and interest payable at £324,000 (£491,000). After tax of £77,000 (£721,000), earnings per share dived to 0.82p (8p).

Bio-Isolates

Bio-Isolates (Holdings), the whey protein isolation company, nearly doubled turnover in the six months to June 30 resulting in profits, before and after tax, rising from £48,000 to £240,000.

The turnover increase, from £1.11m to £2.04m, was mainly due to the increase in volume of Bipro sold following the successful completion of the plant expansion programme at Le Sueur. That trend had continued in the second half albeit at a lower level owing to the normal reduction in milk supplies during the summer and autumn.

Earnings per share improved from 0.26p to 1.2p. The company, which is quoted on the USM, has not yet paid any dividends.

M&G Group

M&G Group has agreed to buy from the Norwich Union Life Insurance Society the freeholds of M&G House and Dorset House in Chelmsford, Essex, for £19.8m cash.

The group, which now occupies M&G House, has also agreed to take an assignment of the leasehold of the adjoining Dorset House from its present occupiers, expecting to take possession in the second half of 1991.

The purchase is expected to reduce M&G's taxable profits by about £900,000 in the short term, being the difference between £2.5m in interest income forgone and about £1.6m saving on rent, at current rates.

Clayhithe

Clayhithe, the investment and property company, warned that results for its second half may be much lower than last time's £3m. The company blamed economic and political uncertainties and high interest rates.

Taxable profits for the six months to September 30 improved 21 per cent to £2.51m (£2.07m) on turnover of £11.99m (£11.35m). Earnings per share were 9.85p (8.55p) basic or 9.11p (7.93p) fully diluted. The interim dividend is maintained at 1.8p.

Stewart & Wight

Stewart & Wight, the property investment company, increased pre-tax profits by 42 per cent, from £106,000 to £150,000, in the six months to September 30.

Earnings per share increased from 86.9p to 123.97p but in accordance with previous practice the board decided not to pay an interim dividend.

Hardys & Hansons

An 18 per cent expansion in annual profits was yesterday reported by Hardys & Hansons, the Nottingham-based independent brewing and hotels group.

The increase for the 12 months to September 28 – from £5.36m to £6.34m – was achieved on turnover of £24.89m (£22.82m).

Earnings per share emerged at 81.83p (69.19p). A recommended final dividend of 22.3p lifts the total for the year to 33.5p (28.1p).

Little change at Dowty

By David Owen

DOWNTURNS in information technology and polymer engineering have restricted Dowty Group to only a wafer thin advance from £37m to £37.1m in taxable profits for the six months to September 30.

However, the Cheltenham-based engineering and electronics company was "not in the least bit unhappy" with its "slightly flattish" performance. "Two divisions performed well and two are seeing some of the effects of the recession," said Mr Reginald Moore, financial director.

The market was less sanguine about the group's poorer-than-expected figures, marking the shares down 10p to 161p.

Trading profits were actually up 6 per cent at £42m, but the lack of property profits and higher interest bill made the comparison unfavourable at the pre-tax level.

Interest costs increased from £3.6m to £5m. The group said that gearing had risen to 35 per cent, against 16 per cent a year ago, and that debt amounted to nearly £100m.

Research and development expenditure, partly earmarked for a new public data network, was up 16 per cent at £22.3m. Half-yearly expenditure on acquisitions was £18m.

The group said that the effect of foreign currency translation cut taxable profit by £1.5m and sales by £12m. Overall turnover climbed by 5 per cent to £352.6m (£336.7m).

Aerospace and electronic systems, however, showed trading profits increases to £22.6m (£18m) and £7.5m (£6m) respectively.

Aerospace saw a "strong increase" in product support activity, attributed to its ability to provide repair and overhaul services for other manufacturers' products. This more than offset a "small decline" in US military business. Year-on-year comparisons were helped by the effect of strikes on the 1989 first half.

Alan Harper

Lord Harrowby, chairman, (left) and Tony Thatcher, chief executive: not unhappy with the 'slightly flattish' performance

Higher margins at electronic systems were the result of increased deliveries of both Pegasus fuel systems and naval command and control systems. The unit also benefited from the lack of significant bid costs in the latest period.

By contrast, profits from information technology dropped to £7.1m (£9.1m) in "a difficult market" and from polymer engineering to £5.1m (£6.2m). The polymer business has been hit by the closure for six months of Fiat Tractor, an important customer.

Mr Tony Thatcher, chief executive, said Dowty had "carried our belt tightening on in a steady fashion." Casualties of the latest round of consolidation had included a number of plants and more than 500 people.

On the situation in the Gulf, Mr Thatcher said: "If it gets to active use of weapons, we would expect to see quite an upturn in spares demand - and we are ready for it."

Earnings per share edged down to 9.1p (9.2p).

An interim dividend of 3.6p (3.5p) is declared.

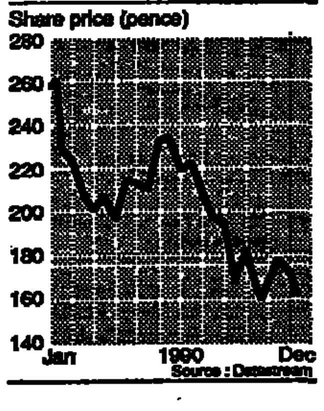
● COMMENT

"Smiths Industries has the cash but no imagination; Dowty has the imagination but no cash." This analyst's viewpoint, though simplistic, rather neatly encapsulates Dowty's current predicament. With its eye on the medium-to-long-term plans, the group is spending heavily on ambitious information technology and aircraft landing gear projects, raising gearing as recession looms. If it has got its timing right, the rewards could be substantial. If not, then it could be stretched – although with the order-book solid and debt levels still within bounds, the alarm bells are not yet ringing.

After yesterday's figures, the jury is still out. Analysts were disappointed by the polymer unit downturn, but there was some encouragement from the performance at aerospace. Assuming full-year profits of about £86m, the shares are on a prospective multiple of about 7.5 and are not at present all that attractive.

Dowty Group

Share price (pence)



Source: Datastream

Contraction under way in Nadir's empire

By David Barchard

TWO SENIOR figures in Mr Asil Nadir's Turkish Cypriot publishing empire lost their jobs at the weekend, amid further signs that financial pressures are forcing Mr Nadir to slim down his personally-owned media investments in Turkey and Cyprus.

Mr Mehmet Ali Akpinar and Mr Metin Munir have been dismissed as directors of A.N.Graphics, Yellow Stone, and Gadeda, companies which publish and distribute newspapers and magazines in Turkish and English on the island. The dismissals took place without a meeting of company shareholders or the directors.

They followed a brief visit to Cyprus by Mr Nadir who has spent most of the last two weeks at Polly Peck's headquarters in Istanbul. Mr Nadir left the UK for Cyprus and Turkey on November 15. It is not known precisely when he plans to return to the UK.

The departure of Mr Akpinar, regarded as one of Mr Nadir's most loyal lieutenants in northern Cyprus, is particularly unexpected though he is expected to remain as editor of Kibris, a Turkish-language daily, until the New Year. He will be replaced as the effective head of Mr Nadir's media operations in Cyprus by Mr Reşat Akar, editor of Yeni Gün, another of the group's newspapers.

Apart from dominating the local press, Mr Nadir's media investments in Cyprus included a large and still unfinished printing works apparently set up with the long term aim of competing with low-cost publishing operations in the Far East. However his media group is now contracting rapidly.

Another of Mr Nadir's Turkish Cypriot papers, Bozkurt, shut down at the weekend with debts of TL3bn (£500,000). About 500 of Polly Peck's 8,000 employees in Cyprus have already been made redundant, and a further 3,000 jobs are thought to be at risk.

Eleven directors of Mr Nadir's Istanbul dailies resigned in Turkey on Monday. Mr Nadir's newspapers and magazines there are thought to be losing some $2m a month and have been showing signs of severe financial strains in the last two months. A satellite television venture went into liquidation at the end of last month.

More than 100 employees of Güneş were laid off last week. Journalists in Istanbul say Mr Nadir's publications are shedding recently-hired staff and falling back on a core of long-standing employees.

Charter Consolidated shows 7.5% improvement to £41.4m

By Richard Gourlay

CHARTER Consolidated, the industrial holding company which earns the largest slice of its profits from a minority stake in Johnson Matthey, the precious metals group, yesterday reported a 7.5 per cent increase to £41.4m in pre-tax profit for the six months to end-September.

Interest on cash balances, which rose due to disposals by £20m to £124m, accounted for £9.1m of that profit, up from £8.2m last year.

The group, in which Anglo-American's Luxembourg-based investment vehicle, Minorco, holds a 36 per cent stake, announced an interim dividend of 7p, up 7.7 per cent on the comparable period, but the shares closed down 17p down at 429p.

Pre-tax profits from Johnson Matthey, where Charter holds a 38 per cent stake, fell from £33.5m to £32.5m including an net increase in interest earned of £2.4m. Charter's share of the Johnson Matthey profits fell to from £13m to £12.5m.

Mr Jeffrey Herbert, who took over as chief executive in January, said he was pleased with the Johnson Matthey performance and saw more potential from the growth in demand for catalytic converters for car exhaust systems.

Pandrol, the rail track equipment company, benefited from acquisitions in the US and more than doubled operating profits on sales up 84 per cent. The trading profit from the operating companies rose 31 per cent to £18.1m, the group said.

Cape, the building products group in which Charter has a 68 per cent stake, saw a 24 per cent increase in operating profits from turnover up 20 per cent at £97m.

Cape remains 60 per cent dependent on the UK but within that market a third of its sales are in industrial scaffolding and insulation for power generating companies oil companies and the offshore industry where demand has remained relatively strong.

Cape is also exposed to the uncertainty in the Gulf where it has a number of contracts.

Operating profits at Anderson Strathclyde, the mining equipment company bought for £93m just before the miners strike in 1983, fell from £3.2m to £1.3m on sales down 11 per cent at £58m.

Mr Herbert said the drop in orders was a result of the strong dollar, which affected sales to the US, and a tighter ordering policy at British Coal.

● COMMENT

Charter Consolidated continues to try to convince the world it is no longer an investment trust under the control of Anglo-American, through the Minorco stake. The new management has put a lot of effort into its operating companies, with particular success for the Pandrol railway-care business, and the building products sector which has remained remarkably resilient in appalling conditions. It remains, however, a mini-conglomerate plagued by memories of acquisitions like Anderson Strathclyde in 1983 and uncertainty about South African intentions. In recessionary times, a cash-rich Charter becomes a good defensive play, with earnings for the full year forecast at £81m, giving earnings of 48.3p and a prospective multiple of less than 9 and a dividend for the year of 21p. But until Charter makes up its mind what it is going to do with its stake in Johnson Matthey and the South Africans decide what Minorco is to do with Charter, it remains unclear where the group is going.

Rise in interest income helps shore up Sturge at £31.5m

By Jane Fuller

STURGE HOLDINGS, the largest independent underwriting agency group in the Lloyd's insurance market, reported a marginal improvement in pre-tax profit for the year to September 30.

The taxable figure advanced to £31.46m (£31.16m) on turnover of £41.68m (£43.29m). While operating profit fell reflecting lower profit commission from the 1987 underwriting account, interest income grew to £6.65m (£5m).

Mr Peter Davis, finance director, said the group had done well to improve on the previous year's pre-tax figure, which had taken in the record underwriting year of 1986.

The 1988 account feeding into this year's figures would suffer from the softer rates born of overcapacity.

Next year would bear the double disadvantages of 1989: soft rates plus a series of catastrophes.

As a result an overall loss was expected for the Lloyd's market for that year, hitting profit commission in the 1991-92 financial year.

The good news was that the disasters had prompted an improvement in rates in 1990 as reinsurance became harder to buy. "Although we are going into a period of falling profit, we can already see the upturn," said Mr Davis.

Sturge acts as members' agent for nearly 3,000 Names and manages 24 syndicates. The combined gross premium capacity for the past year was £1.2bn.

Mr Davis said that although there had been a fallout of Names over the past two years, the group had grown by acquisition and this would benefit the fixed fee income.

At the year-end, £28.5m cash had been accumulated. This had since been roughly halved by acquisitions.

Earnings per share rose to 38.8p (36.3p), helped by the buying in of shares.

A final dividend of 11p makes a total of 16.5p (15p).

● COMMENT

Because of the three-year lag between underwriting years and the impact on profits, the most interesting information was the light Sturge shed on prospects reaching into the 1990s. The message is that the 1988 and 1989 accounts are looking disappointing, but then things start to get better. As a result, this year's pre-tax profit is forecast to fall below £20m, next year's trough may be £12m, a recovery is awaited in 1992-93 and some predict a bonanza the year after. Sturge is expected to benefit from the continued rationalisation of the industry and it is limiting the earnings damage by buying in shares. Through strong cash generation, it will, if necessary, be in a postion to dig into reserves to maintain the dividend. Some of the renewed optimism (which follows the underwriting rather than the pre-tax-profit cycle) has already fed through into the share price, which closed at 248p yesterday compared with the 200p at which the group bought in shares in August. This year's prospective multiple is more than 10 and the prospective yield 9 per cent. The share price may well continue to follow the underwriting rates upwards.

Guerin's legacy continues to haunt Ferranti

By Tom Flannery in Lancaster, Pennsylvania and Michael Skapinker in London

FOR Mr James Guerin, the man at the centre of the Ferranti fraud, daily discussions with Philadelphia-based federal prosecutors and his US and UK attorneys now constitute his routine. It is a far cry from his glamorous life as an international arms trader and former Ferranti deputy chairman.

Mr Guerin's co-operation with those investigating his myriad criminal activities follows his midsummer deal with prosecutors in the Ferranti case. He pleaded guilty and agreed to disclose details of the roles he and his colleagues played in the alleged fraud.

The £215m alleged fraud proved a devastating blow to Ferranti, once one of the most respected names in British electronics. The company has sold more than £400m of assets in its attempt to repair the hole in its balance sheet.

Mr Eugene Anderson, who was appointed chairman and chief executive last February, says another 19 Ferranti businesses are for sale.

Ferranti has taken legal action against Mr Guerin in an attempt to regain some of the money it alleges he cost them.

Last June, a UK court ordered Mr Guerin and some of his associates to repay $189.9m. Ferranti is attempting to enforce this judgment in the US.

Mr Anderson said yesterday that "these proceedings will grind on. There's no immediate possibility of a bonanza".

Once Mr Guerin's co-operation is deemed complete, federal prosecutors will present his guilty plea to a federal judge who will pass sentence. A date for this proceeding has not yet been set.

His pact with prosecutors will be likely to reduce the fines and prison terms he would otherwise have faced.

In addition to providing testimony and documents associated with the fraud Mr Guerin has agreed to provide details of numerous illegal arms deals with the likes of Chile and South Africa made through his company, International Signal and Control (ISC) of Lancaster, Pennsylvania, which he sold to Ferranti in September 1987.

As part of the plea agreement, Mr Guerin has agreed to sell his mansion in Naples, Florida, and forfeit $600,000 of the proceeds to the government.

This is in addition to the fines of $4.4m paid by Parent Industries, Mr Guerin's defunct personal holding company, for its role in the Ferranti fraud, which is now estimated by federal prosecutors, the FBI and Internal Revenue Service to be more than $1bn.

Ferranti has also launched a £600m suit in the UK against Peat Marwick McLintock, which audited ISC's accounts until the acquisition. Peat Marwick is defending the action. Ferranti is thought to believe that the case will not be settled for several years.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Blick	fin	4.5	Apr 3	4.2	7	6.6
BSS	int	5.75	Jan 25	5.75	-	17.25
C'bell/Armstrong	int	1	Jan 31	1.65	-	5
Carr's Milling	fin	5.75	Jan 24	5.75	7.5	7.5
Charter Cons	int	7	Jan 21	6.5	-	19.5
Clayhithe	int	1.8	Feb 4	1.8	-	6
Devenish (JA)	fin	4.25	Feb 12	3.7	5.3	4.65
Dowty	int	3.6†	Mar 30	3.5	-	9
Granada	fin	7.9	Apr 2	7.9	12.3	12.3
Hardys & Hansons	fin	22.3	Mar 4	18.7	33.5	28.1
Lasmo	int	1.55‡	Dec 31	-	-	7.5*
Perpetual	fin	1.7	Feb 15	1.7	2.5	2.5
Ramsden's (H) ♦	fin	3.5	Mar 10	-	4.5	-
Richards	fin	2.93	Mar 4	2.75	4	3.75
Sturge	fin	11†	Apr 6	10	16.5	15
Sutherland §	int	0.9	Apr 8	0.85	-	1.5
Tilon §	fin	1.96	Feb 22	1.96	2.99	2.9
Vaux	fin	5.78	Feb 4	5.25	8.76	7.84

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Second interim dividend. ♦Third Market

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Baker Harris Saunders, Beaverco, Borthwicks, Bulmer (HP), Fine Art Developments, Fuller Smith & Turner, MS Intl, Piston Intl, Plysu, Severn Trent, Unit, Wardell Roberts.

Finals- Albion, Carlton Communications, Chemring, Compass, Countryside Properties, GT Asia (Sterling), Polar Electronics, TSB Bank Channel Islands, Venture Plant.

FUTURE DATES

Interims-

Murray Income Tst	Mar. 5

Finals-

Midland Bank	Mar. 5
Murray Intl Tst	Mar. 7
Persimmon	Mar. 4

Tiphook takes 9.9% stake in TIP Europe

By Andrew Hill

Tiphook, the world's second largest container rental company, has bought a 9.9 per cent stake in TIP Europe, the rival trailer rental group.

TIP's shares rose 17p to 56p on the news but Tiphook said it had no intention of making a hostile bid for the Anglo-Dutch company.

Shares in Tiphook, which has a fleet of 31,500 trailers, slipped 10p to 358p.

Mr Robert Montague, Tiphook's executive chairman, said yesterday that the group was unlikely to increase the stake substantially above the 10 per cent level. "It's purely a distanced investment and it's not a prelude to a bid or a carve-up in the industry," he added.

Two weeks ago, TIP, which has been building up a European network, warned that its pre-tax profits would fall below the 1989-90 level because of a drop in demand for its UK fleet.

Its shares slipped 22p in a day to 49p.

At yesterday's closing price the company, which operates a fleet of more than 20,000 trailers, is worth £51.5m. At the beginning of this year Tiphook bought a 4,600 trailers from Barclays' Mercantile Group for £9.35m.

Tiphook's stake would complicate any bid for TIP. The group's second largest shareholder at the end of 1989-90 was Itel Corporation of the US, with a 6.4 per cent stake.

In October, Itel sold its multi-purpose container leasing and service assets to Genstar, a subsidiary of General Electric Capital Corporation, for £825m, reducing its gearing and doubling Genstar's container rental fleet.

T&S £4.3m buy

T & S Stores has agreed to purchase 22 convenience stores from JCR News, part of the Johnson News Group. The consideration is £4.3m which includes leaseholds and fixtures and fittings valued at £1.9m. In addition, stocks will be acquired with an estimated cost of £800,000.

Cattle-mart haggling gives losers a stake

Kieran Cooke on the rescue plan between Goodman and its banks

NO WINNERS have emerged from this week's rescue plan agreed between creditor banks and Goodman International.

Under the terms of the rescue package, 33 banks owed more than I£500m (£464m) by the Irish Republic's and Europe's biggest beef processor and exporter will have to wait for up to seven years to recoup what will probably be only about 80 per cent of their lendings.

Mr Larry Goodman, the Irish "beef baron" who built up the privately held Goodman group over a 30-year period, loses control of his empire, with his dreams of becoming one of the big players on Europe's agribusiness scene consigned to the offal yard.

A company which accounts for about 40 per cent of Ireland's vital cattle slaughtering and processing business will now effectively be under the control of the banks – mostly foreign institutions who are not particularly concerned about the fate of Irish agriculture.

In the wider context, the Goodman affair – the biggest company debacle in the history of the Irish state – has damaged Ireland's business reputation.

Mr Dick Spring, leader of the Irish Labour party, told the Irish parliament: "We have been exposed, in the eyes of the international financial community, as an economy willing to tolerate cowboys."

The agreement on the rescue package – reached only hours before yesterday's High Court deadline – has been reached after bitter and lengthy cattle- mart style haggling between the banks and Goodman International. The banks have been forced to buy a rogue steer. They have been forced to continue to do business with a man who they accuse – at the very least – of repeatedly misleading them.

Several banks have alleged in court that Mr Goodman and his associates gave them incorrect information about the state of Goodman International's finances.

They have also alleged that Goodman broke borrowing agreements by using funds advanced for day to day working capital purposes to make multi-million pound investments on the London Stock Exchange – by buying an 8 per cent stake in Unigate (since sold) and a disastrous 18 per cent stake in Berisford.

But from the beginning Mr Peter Fitzpatrick, the examiner appointed to Goodman last August after the full scale of the group's debts became known, made it clear that the banks really had no choice. Liquidation – offering banks at most 30p in the pound over an extended period – was "too awful" to contemplate, said Mr Fitzpatrick.

The High Court in Dublin said it would give its response to the Goodman rescue package on December 19. The Court said it would also hear the arguments of Goodman creditors opposed to the plan on that day. According to the terms of Irish companies law the future of Goodman International has to be decided by the end of the month. In a separate development Banco Bilbao, owed I£10m by Goodman, had its case to wind up Goodman International's UK holdings adjourned to mid-February by the High Court in Belfast.

Though the rescue plan means that for the time being Mr Goodman loses control of his company, he can "claw back" 90 per cent of the group's share capital, depending on company performance over the next few years. Mr Goodman will remain in day to day charge of Goodman International as managing director. He has also been promised immunity from future prosecution by the banks involved.

Mr Goodman's personal wealth – said to include up to I£8m in family trusts and considerable land holdings in Ireland's north-east – remains intact.

Within Ireland there is considerable surprise that Mr Goodman has escaped so lightly. Far smaller creditors have been treated less well than the banks. But Mr Goodman observed one of the main borrowing maxims: owe a thousand pounds to the bank and you have a problem, owe one million and the bank has a problem.

In many ways the Goodman banks have only themselves to blame for the mess they find themselves in. Banks with headquarters in Helsinki and Vienna, Tokyo and New York, participated in what one banker called a "lemming like rush" to lend to Goodman, encouraged by talk of his enormous, but never disclosed, wealth, his alleged political connections, and his entrance into difficult markets like Iran and Iraq.

One bank, which had lent I£30m, pulled in its loan early last year. Allied Irish Banks, Goodman's main banker for more than 20 years, reduced its exposure to a little over I£3m from a figure said at one stage to have approached I£100m.

"It was clear to anyone who bothered to look that there were serious problems" said one banker. "The pounding Goodman was taking on his Berisford shares was obvious. Long before the Iraqis moved into Kuwait, Goodman had allowed debts with Baghdad to pile up. But banks did not read, or want to read, the danger signals."

Part of the Goodman rescue plan involves either Iraq paying back I£167m for beef shipments dating back to 1987 or Goodman being successful in a court action against the Irish government for the withdrawal of various insurance policies covering its trade with Baghdad – cancelled after certain "statistical discrepancies" had been found in export documents.

With a court action pending, the Irish government is not exactly favourably disposed to the plight of Goodman. Mr Desmond O'Malley, the Minister for Industry and Commerce, has said that Goodman will not be rescued "on the backs" of Irish taxpayers or farmers.

Mr Goodman has always made much of the central place he holds in Irish agriculture. He has said he employs 2,500 people – though how many of those are full time employees has never been disclosed.

Irish farmers have become increasingly worried about what they consider to be profiteering by meat processors like Goodman. The main opposition party has called for the break-up of the Goodman group.

In the end it seems that only the teams of public relations people, the accountants, solicitors and barristers in Dublin, London and Cyprus (where more than I£20m of Goodman money has ended up in what one Irish government minister described as "shadowy circumstances") have benefited from the affair. For example, Morgan Stanley, the US investment bank, is said to have earned I£2.5m for services rendered in the course of rescue negotiations.

Advisers apart, everyone else to some extent is a loser.

NESDAY DECEMBER 12 1990

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COMMENT

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COMMODITIES AND AGRICULTURE

EC criticised over failure to police cereal curbs

By Tim Dickson in Brussels

SERIOUS CRITICISM was yesterday levelled against measures introduced by the European Community to curb cereals output.

In its annual report for 1989 the Court of Auditors, the EC's chief financial watchdog, claims that neither the production tax known as the co-responsibility levy nor the set aside scheme designed to take land out of production has been working properly.

The report highlights inefficiency in both Brussels and member states, citing the EC's "failure to take appropriate action against French levy collectors who refused to remit sums collected and against Italian authorities who illegally applied in the first year a system other than the approved one."

Yesterday's offering is less dramatic than some of the court's more lurid descriptions of community bookkeeping and accounting sleights of hand – but it continues the recent tradition of pinpointing areas of slack management. Recent developments – notably an angry attack on the court by Commission President Mr Jacques Delors in front of MEPs in Strasbourg – suggests that its message is hitting home.

Criticism of set aside is particularly sensitive at present given the pressure to expand its scope likely to be exerted by the Germans during next year's farm price negotiations. The court, however, concludes that it can find "no evidence that the set aside scheme has significantly reduced the production of cereals. Take up has been low and in many cases the most marginal land has been set aside."

Controls in some respects are "extremely difficult to attain," notably for the fallow option under which the spreading of organic waste and the use of herbicides are forbidden. The commission should consider, says the court, raising the minimum area and/or the percentage of arable land to be set aside, and prohibiting the inclusion of part-time fields and strips of land.

As for the co-responsibility levy, which was introduced at a rate of 3 per cent in 1986, the court says that "for one reason or another the levy is not collected on about half of all cereals production and on more than 60 per cent in certain member states."

The weaknesses show that the system is "complicated and open to manipulation and leads to unequal treatment of producers and collectors." A proper management of the scheme "would require a very considerable supplementary administrative effort by the national administrations."

● EC farm ministers agreed to extend the moratorium on the milk-boosting hormone bovine somatotrophin (BST) for one year.

Committee urges sharp cut in Norwegian farm subsidies

By Karen Fossli, in Oslo

NORWAY SHOULD reduce support to its farming industry by two thirds and realign its agricultural policy to become more market-oriented, according to a report published yesterday by a government-appointed committee.

The committee, led by Mr Haavard Alstadhein, was appointed three years ago to study Norway's highly subsidised farming industry. Its 1,000 page report will be used by the minority Labour government in drawing up a white paper and in realigning its future agricultural policy. It will also be used as the basis for future negotiations on support measures.

The white paper is to be presented to the Storting, the Norwegian parliament, in the middle of 1991, after tyhe completion of a six-month round of hearings. However, its content will be contingent on the outcome of negotiations on international farming policy in the Uruguay Round of the General Agreement on Tariffs and Trade and will be influenced by any agreement reached between the European Free Trade Association, to which Norway belongs, and the European Community to establish a so-called European Economic Area.

Currently there are 100 price support measures by which the Norwegian government aids its farming community. In 1990 about 100,000 farmers received support. According to government figures, Norway's farming industry was subsidised this year by between Nkr11bn (£980m) and Nkr12bn.

The Alstadhein committee, comprised of representatives from various farming interest groups, appears to be at loggerheads over many issues covered in the report and seems to have problems in developing proposals for achieving the greater market orientation that it calls for.

The realignment will result over time in a natural reduction in the number of farmers receiving government support, the report warns, though this should not be at the expense of a reduction in the total area cultivated.

It suggests that in remote areas of Norway a necessary level of government subsidies should be maintained and that measures should continue to restrict imports of agricultural products to a level that will secure the future of Norway's farming industry so as to ensure adequate food supplies.

Brussels compromises on fishing row with Canada

By Lucy Kellaway in Brussels

THE EUROPEAN Commission moved closer yesterday to settling its long running fisheries dispute with Canada, with a set of proposals on fishing quotas which broadly accord with the advice of the North Atlantic Fishing Organisation.

Until recently the European Community has insisted on setting its own quotas – resulting in a dispute bitter enough to sour bilateral relations. The commission yesterday proposed that the EC abide by eight out of ten of the Nafo quotas, which would mean cutting the EC quota in the North Atlantic waters for some fish by 35 per cent.

However in three key areas it has rejected the refusal of Nafo to allocate the community any quota at all, and is proposing that it should continue to set its own autonomous quotas. In the most sensitive section, covering cod fishing in one of the biggest zones, the commission is suggesting a new quota for 1991 of 27,000 tonnes. Although this is lower than the 32,000 quota for 1990, it compares with a zero quota proposed by Nafo.

The Commission said yesterday that it considered the dispute was reduced to "extremely moderate levels" and that the economic importance of the disputed quotas was not great enough to be worth threatening the whole of EC-Canada relations. It is hoping therefore that agreement can be reached with Canada on all the issues so as to reopen the fishing in Canadian waters to the give EC boats access to Canadian ports.

Brussels is suggesting that the difference between the two sides' evaluation of the scientific data should be reduced, by cutting the total catch level for this year. It points out that the EC autonomous quota has already been greatly reduced, having been set at 84,000 tonnes for 1989.

All systems go for Chilean copper giant

Leslie Crawford on the record-breaking development of the world's richest deposit

THERE IS a lot of Christmas cheer around La Escondida, the richest copper deposit in the world, as it prepares to ship its first batch of copper concentrates six months ahead of schedule.

Everyone, beginning with BHP-Utah Minerals International, the mine's operator and major shareholder, is proud that this $1bn project has been completed in record time and $150m under budget.

"It has gone like clockwork," says Mr John Hannah, a Canadian who worked at the Highland Valley copper mine in British Columbia before coming to Chile to supervise La Escondida's development.

In just under 30 months, giant electric shovels and trucks have transformed the lunar landscape of the Atacama desert. They have scooped out a hole 1 km across, 1.5 km wide and 200 metres deep to expose La Escondida's hidden treasure. The task was completed in October, when 3,600 people were working round the clock to create the second biggest open-pit copper mine in the world after Chuquicamata, also in Chile.

At daybreak, the towering Llullaillaco volcano casts a shadow over the gaping hole, and from the top of the mine, earth-removing trucks that would dwarf a two-storey house look no bigger than Dinky toys.

While the mine was being stripped, power lines were brought from the Tocopilla power station north of Antofagasta and work began on the concentrator plant and storage tanks. Water has had to be tapped from underground wells in nearby salt flats and pumped up to the mine, 3,000 metres above sea level.

The turqoise-blue steel structure of the concentrator plant is the only splash of colour in the lifeless desert. Inside, the milling has just begun and Mr Hannah is supervising the final adjustments to the computerised production process. "I hope the new equipment will outgrow its teething problems in under six months," he says.

At the moment, the plant, designed to produce 2,000 tonnes of copper sulphide concentrates a day, is working at three-quarters of full capacity.

Giant earth-removing trucks look like Dinky toys from the 200 metre deep pit's edge

The concentrates are mixed with water and slurried down a 165 km pipeline, which zig-zags past ghost nitrate towns of the turn of the century to La Escondida's own port facilities at Coloso, just south of Antofagasta.

At Coloso, the concentrates, containing 42 per cent copper, are dried and transported on conveyor belts to cargo vessels. Mr Hannah expects that the maiden shipment of 25,000 tonnes of concentrates will be heading for Japanese smelters before Christmas.

La Escondida's biggest ecological challenge was how to dispose of the highly saline water once the concentrates had been filtered out. Canadian environmental consultants designed a filter plant and sprinkler system to discharge the water 1.3 km out at sea, where the impact on marine life will be minimal.

"It was a small problem but we decided to do it right," says Mr Hannah. La Escondida, he explains, was keen to avoid future problems with the growing environmentalist lobby in Chile.

Aside from launching this huge operation, Mr Hannah's main concerns are worker safety and getting labour relations right. Most of the 850 miners come from medium-sized mines and they are being trained to operate giant machinery. They are given safety talks before each shift.

Unlike the copper workers at Chuquicamata, the mine run by Codelco, the state-owned Chilean Copper Corporation, La Escondida's workforce is not unionised. Pay is lower than at Chuquicamata, but La Escondida is building subsidised housing for employees' families in Antofagasta, the nearest town, 180 km away, and offers all mod-cons at the campsite, including cable television. Brazilian soap operas, with their emphasis on female nudity, are particularly popular with the miners.

La Escondida will also set new productivity standards in Chile. The miners, working 12-hour shifts on a four-days-on/four-days-off rota, will produce at least three times more copper per worker than the overmanned Codelco mines. The rota appears to suit the miners. "We can spend more time with our families and we get more rest between shifts," says Mr Raul Podesta, an engineer at the site. At Chuquicamata, miners work eight-hour shifts and a six-day week.

La Escondida, meaning "the hidden one" is a fitting name for a mine that almost remained undiscovered. A chance drilling 10 years ago struck the richest copper deposit in the world. Its geological reserves of 1.8bn tonnes are expected to keep the mine productive well into the 22nd century. During the first 10 years of its operation the ore grade will average 2.8 per cent copper. This is twice the concentration found at Chuquicamata, while US and Canadian mines are operating with 0.4 and 0.5 per cent ores. Over 50 years, La Escondida's ore grade will average 2.1 per cent copper.

Once mining is in full swing in mid-1991, La Escondida will produce 760,000 tonnes of concentrates a year – about 4 per cent of world output. It will be the third largest copper mine in the world after Codelco's Chuquicamata and El Teniente divisions. La Escondida and other new private-sector copper projects will play a key role in boosting Chile's copper exports at a time when Codelco's mines are suffering from exhaustion and falling ore grades.

Yet La Escondida did not have an easy birth. When BHP-Utah and its partner Rio Tinto Zinc decided to develop the mine in the mid-1980s, giant copper projects and lending to Latin America were equally out of favour with international banks.

So a unique financing arrangement was struck: 77 per cent of La Escondida's output was sold in advance in 12-year contracts to Japanese, German and Finnish smelters. These in turn undertook to raise two-thirds of the project's capital requirements from their countries' official credit agencies. In addition, a consortium of Japanese smelters, led by Mitsubishi, decided to take a 10 per cent stake in the mine and the World Bank's International Finance Corporation also pitched in with a 2.5 per cent shareholding.

By mid-1988 the financing package was ready. But the toughest question remained to be answered: would Chile's political stability hold during the delicate transition from dictatorship to democracy? La Escondida's owners gambled that Chile's favourable foreign investment laws would not be touched by the new government and that their $1bn project would be safe. Their gamble paid off.

Mr Robert Davies, the mine's financial director, expects La Escondida to make a profit in its first full year of operation. This despite the impending recession in the US, which is expected to weaken copper prices next year, and interest payments on a $500m debt which will run at $4.5m a month. Production costs will total 45 cents a lb, slightly higher than Codelco's outlays but well below the operating costs of US and Canadian mines.

RTZ of the UK and BHP of Australia will not go ahead with a US$500m copper smelter project for northern Chile. RTZ said yesterday a feasibility study by Davy McKee showed the smelter, which would have produced 200,000 tonnes of copper in cathodes a year, was not cost effective. The decision would not have any impact on the Escondida project, RTZ said. Outokumpu of Finland was to have provided smelter technology and Anglo American Corporation of South Africa, and Billiton, the mining and metals part of the Royal Dutch/Shell group, were also to have been involved.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,630-1,670 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.75-2.90 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.35-1.55 (1.15-1.35).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 12.30-12.90 (12.20-12.60).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 155-165 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.52-2.60 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 37-49 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.25-2.45 (2.25-2.35).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 11.45 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	−1,675	to 308,950
Copper	−450	to 162,850
Lead	−425	to 42,950
Nickel	−474	to 3,288
Zinc	−1,625	to 54,250
Tin	+1,335	to 17,875

WORLD COMMODITIES PRICES

MARKET REPORT

Aluminium prices were again in retreat on the LME yesterday. Traders said the market remained under pressure for most of the day from LME stocks figures which fell a smaller than expected 1,675 tonnes and followed Monday's news of a 69,000 tonnes rise in IPAI unwrought producer stocks. "This has knocked the stuffing out of the technical bounce," said one trader, referring to the fact that before the IPAI stock news, prices looked on course to reach a target of $1,625 a tonne for three month metal following an upside chart breakout at $1,545 last week. Lead prices eased on news that Asarco was cutting its price by 2 cents to 35 cents a lb. Traders said the US price cut unsettled the market as it indicated that there was no improvement in the rather flat demand for lead in North America. Gold closed easier on the London bullion market, but off the low of $370 a troy ounce struck after talk that the German central bank was planning to sell one billion marks worth of gold to finance post-unification spending, and was planning to mint a gold coin. But the German Finance Ministry denied the story, which had appeared in a business magazine.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$22.50-2.65v	-.875
Brent Blend (dated)	$27.70-7.80	-0.95
Brent Blend (January)	$26.80-6.85	-.875
W.T.I. (1 pm est)	$25.80-5.85v	-1.265
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$255-258	-3½
Gas Oil	$275-277	-11
Heavy Fuel Oil	$134-135	-4
Naphtha	$252-254	-11
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$371.25	-2.80
Silver (per troy oz)♣	408.25c	-1.50
Platinum (per troy oz)	$423	+2
Palladium (per troy oz)	$82.85	-0.05
Aluminium (free market)	$1520	-10
Copper (US Producer)	117c	
Lead (US Producer)	50c	
Nickel (free market)	376c	-4
Tin (Kuala Lumpur market)	15.25r	+0.08
Tin (New York)	285c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	107.82p	+2.84*
Sheep (dead weight)†	145.83p	+0.05*
Pigs (live weight)†	71.75p	+0.72*
London daily sugar (raw)	$248.8w	+1.4
London daily sugar (white)	$305.5w	+1.5
Tate and Lyle export price	£236.0	+1.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£163.75	+0.50
Wheat (US Dark Northern)	£83	
Rubber (Jan)♥	50.50p	
Rubber (Feb)♥	50.75p	
Rubber (KL RSS No 1 Jan)	241.0m	-0.5
Coconut oil (Philippines)§	$310w	-5
Palm Oil (Malaysian)§	$337.5v	
Copra (Philippines)§	$235t	-4
Soyabeans (US)	£141	+1
Cotton "A" Index	84.30c	+1.65
Wooltops (64s Super)	414p	+2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. w-Dec/Jan z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	220.80	216.20	221.00 215.60
May	222.60	216.60	221.80 219.00
Aug	225.80	222.20	221.00
Oct	224.80	221.80	225.00 221.00
Mar	225.00	224.00	224.00
May	227.60		221.00
White	**Close**	**Previous**	**High/Low**
Mar	305.0	304.0	305.0 301.0
May	304.5	303.0	303.0 302.0
Aug	310.0	308.5	309.5 308.0
Oct	290.5	289.5	290.0 288.0
Dec	285.0	283.5	284.5 282.5
Mar	288.5	285.5	287.0 284.5
May	288.0	286.5	288.0 285.5

Turnover: Raw1326 (1146) lots of 50 tonnes. White 1142 (857)
Paris- White (FFr per tonne): Mar 1524, Aug 1528, Oct 1479.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Jan	27.02	27.73	27.90 26.45
Feb	25.75	26.34	26.70 25.30
Mar	24.55	25.25	25.10 24.20
Apr	23.70	24.15	24.00 23.45
IPE Index	27.83	28.94	

Turnover: 15907 (12765)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Dec	278.25	288.00	281.00 274.00
Jan	257.00	267.50	270.00 254.00
Feb	240.50	251.50	253.50 238.50
Mar	222.25	232.00	235.00 222.25
Apr	204.00	215.00	220.00 204.00
May	199.00	211.00	214.00
Jul	194.00	203.00	208.50 194.00

Turnover 16456 (10613) lots of 100 tonnes

JUTE
C and f Dundee BTC $520, BWC $530, BTD $470, BWD $480; c and f Antwerp BTC $500, BWC $500, BTD $440, BWD $440.

COTTON
Liverpool-Spot and shipment sales for the week ended November 30 reached a total of 280 tonnes, against 172 tonnes in the previous week. Sales were centered mainly on American and Turkish deals.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	641	643	643 640
Mar	691	694	696 691
May	723	726	728 722
Jul	749	752	755 748
Sep	769	774	776 769
Dec	797	801	801 797
Mar	824	824	824 822

Turnover: 2715 (5825) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 10 918.49 (920.77) 10 day average for Dec 11 949.24 (958.66)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	647	640	648 638
Mar	600	595	602 590
May	600	595	600 591
Jul	613	609	612 605
Sep	627	627	626 620
Nov	641	640	640 635

Turnover:2128 (4062) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 10: Comp. daily 73.37 (73.84). 15 day average 71.37 (71.05)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	137.7	140.0	139.1 137.0
May	157.0	159.0	157.0 156.0

Turnover 114 (101) lots of 40 tonnes.

SOYAMEAL – HI-PRO £/tonne

	Close	Previous	High/Low
Apr	120.00	120.00	120.00
Aug	120.50	120.50	120.50

Turnover 50 (95) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/Index point

	Close	Previous	High/Low
Dec	1442	1430	
Jan	1380	1360	1390 1360
Apr	1290	1264	1300 1290
Jul	1069	1047	
BFI	1458	1450	

Turnover 108 (186)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	120.45	120.90	120.80 120.30
Mar	123.65	124.15	123.90 123.70
May	127.10	127.50	127.35 127.00
Sep	108.10		108.00
Nov	111.30		111.05
Barley	**Close**	**Previous**	**High/Low**
Jan	116.15	116.95	116.50 116.00
Mar	119.65	120.30	119.80 119.60
May	120.75	121.20	
Sep	105.70		

Turnover: Wheat 152 (125). Barley 56 (106). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	91.0	90.5	
Mar	94.0	94.5	93.5
Apr	97.0		96.5
May	97.5		96.5
Jun	98.5	98.5	97.5

Turnover 35 (45) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 13,019 lots
Cash	1502-4	1526-8	1516/1516	1515-6		
3 months	1540-1	1562-3	1570/1535	1551-2	1548-9	66,629 lots
Copper, Grade A (£ per tonne)						Total daily turnover 18,786 lots
[illegible]						

LME Closing £/$ rate: [illegible]

LONDON BULLION MARKET [illegible]

TRADED OPTIONS [illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jan	26.41	26.90	26.75	25.62
Feb	25.66	26.32	26.35	25.25
Mar	25.18	25.74	25.55	24.80
Apr	24.41	24.95	24.80	23.85
[illegible]				

New York

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	595/0	595/6	597/0	593/0
Mar	610/2	610/4	612/0	608/2
[illegible]				

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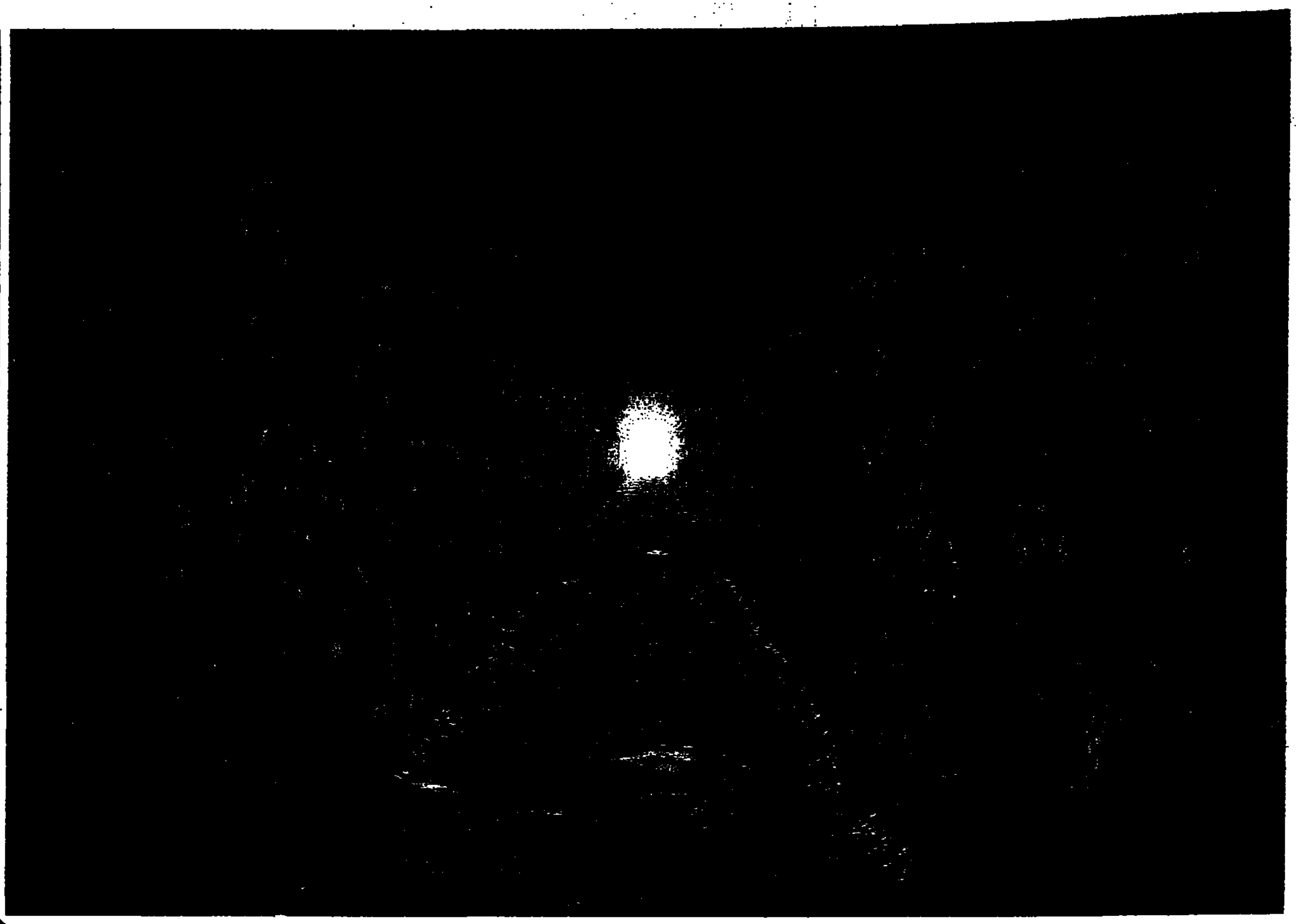

UNFORTUNATELY THIS IS THE TIME WHEN MANY VENTURE CAPITALISTS PULL OUT.

It is a sad fact but true that a short-term view can prove short-sighted and can leave everyone short-changed. Just when a little faith and a steady hand is all you require, defeat is snatched from the jaws of victory. What makes 3i investment capitalists rather than venture capitalists is that we take a long-term view. Unfortunately, not everyone is willing or able to do this.

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هكذا من الأصل

LONDON STOCK EXCHANGE

Power shares debut at centre stage

A DRAMATIC if finally somewhat disappointing start to dealings in the £5.2bn privatisation sale of Britain's 12 regional electricity companies dominated the UK stock market yesterday. It also tended to mask weakness across the broad range of equities as a declining pound undermined optimism for an early cut in domestic interest rates.

Downgradings by stock market analysts of profit forecasts for the leading retail groups, prompted by Monday's announcement of unexpectedly heavy falls in November retail sales, brought substantial losses in the shares of several high street store groups.

The market was poised for action as marketmakers input their prices for the new electricity stocks at 14.20 hours; but the first 15 minutes after trading commenced at 14.30 hours proved "not as frenetic as I thought it might have been", to quote one leading broker.

Account Dealing Dates		
*First Dealings:		
Nov 19	Dec 10	Dec 31
Option Declarations:		
Dec 6	Dec 27	Jan 10
Last Dealings:		
Dec 7	Dec 28	Jan 11
Account Day:		
Dec 17	Jan 7	Jan 21

*New-time dealings may take place from 8.30 am two business days earlier.

Initial premiums on the 100p partly-paid price for the new operating companies' stocks ranged between 46 per cent, for Seeboard, and 76 per cent, on Manweb. The Electricity Package, a composite unit of shares in the operating companies, opened at a premium of 58 per cent.

Attempts to trade were hampered by "backwardations" in many of the stocks, where marketmakers quoted prices offering theoretical opportunities to deal profitably between the various marketmaking houses. Dealers said there appeared to be willing buyers for the Package, "but only in large size, and the sellers were few and small".

Manweb traded up to a 79-point premium before following the rest of the new stocks in slipping back from their best levels as sellers began to put in their appearance. By the close of an extended trading session, the premium on the Package stood at 50.8 per cent, and on the operating companies ranged from 42 to 64 per cent.

Brokers reported that private investors had mostly stayed out of the way after expressing considerable dissatisfaction with the severe scaling down of share allocations.

The institutions also held back, apparently hoping for a repetition of the performance of the water industry privatised twelve months ago, when share prices gained little ground at first but then advanced sharply. One leading UK investment fund which traded heavily in the water company privatisation was noticeably absent from yesterday's electricity sale.

The rest of the equity market tried to edge forward in early dealings, but turned off as the pound slipped lower and interest rate optimism subsided. Kleinwort Benson Securities warned that "given the recent weakness in sterling, we expect cuts in base rates to be delayed until the start of 1991".

The adverse effects of broker downgradings of retail stocks fell hard on a sector which has significantly outperformed the rest of the market in recent months as hopes for early reductions in UK base rates have been strengthened by Britain's entry into the European Monetary System's exchange rate mechanism.

The final reading on the FT-SE 100-share index showed a decline of 16.7 at 2,165.8. Seaq volume of 325.5m shares, against Monday's 317m, was boosted by volume of 416m in the electricity companies – some 20 per cent of the issue – plus 355,000 units in the Electricity Package.

● All FT indices in this edition, including the FT-SE, were calculated at the end of yesterday's extended trading period.

FINANCIAL TIMES STOCK INDICES

	Dec 11	Dec 10	Dec 7	Dec 6	Dec 5	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	83.27	83.29	83.29	83.04	82.68	83.77	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.66	90.69	90.64	90.53	90.37	92.21	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1706.0	1721.5	1723.8	1717.9	1699.6	1881.6	1968.3 (3/1)	1510.4 (24/9)	2008.8 (5/9/89)	49.4 (26/6/40)
Gold Mines	149.1	149.4	150.4	151.0	154.3	317.4	378.5 (6/2)	148.4 (10/12)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2165.8	2182.5	2183.4	2177.5	2152.6	2363.5	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	989.49	992.09	1002.10	1003.35	978.48	-	1003.35 (6/12)	948.31 (27/11)	1003.35 (6/12/90)	948.31 (27/11/90)
Ord. Div. Yield	5.63	5.60	5.61	5.63	5.69	4.57				
Earning Yld %(full)	11.76	11.69	11.71	11.74	11.89	11.14				
P/E Ratio(Net)(☆)	10.27	10.34	10.31	10.29	10.16	10.87				
SEAQ Bargns 4.45pm	40,577	18,561	27,372	24,580	18,726	49,723				
Equity Turnover(£m)†	-	525.12	925.78	1053.15	1002.25	1616.40				
Equity Bargains†	-	17,535	27,269	23,041	17,929	53,506				
Shares Traded (ml)†	-	283.4	461.5	455.0	436.2	689.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 10.11

Ordinary Share Index, Hourly changes — Day's High 1725.1 — Day's Low 1704.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1724.4	1721.8	1723.6	1721.2	1717.8	1715.1	1715.3	1712.8	1707.6

FT-SE, Hourly changes — Day's High 2186.8 — Day's Low 2163.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2185.4	2182.6	2182.8	2179.6	2177.8	2174.6	2174.8	2170.4	2165.4

FT-SE Eurotrack 100, hourly changes — Day's High N/A — Day's Low 985.92

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
993.71	993.02	986.24	986.39	987.00	988.77	986.97

GILT EDGED ACTIVITY

Indices*	Dec 11	Dec 10
Gilt Edged Bargains	105.1	109.5
5–Day average	110.0	110.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	881	120	+1
ASDA Group	3,900	123	-4
Abbey National	2,100	231	
Allied-Lyons	1,100	484	
Amstrad	817	84	-2
Anglian Water	2,800	274	-12
Argos	2,500	240	-5
Argyll Group	4,500	252	-2
Ass. Brit. Foods	1,200	418	-2
BAA	962	414	+2
BAT Inds.	1,500	600	+4
BET	3,000	183	+1
BICC	74	348	-4
BOC	778	523	+4
BPB Inds.	953	182	+1
BTR	2,600	398	-2
Bank of Scotland	560	118	
Barclays	1,400	373	-10
Bass	241	1032	+3
Beazer	285	95	+3
Berisford Int.	5,500	17½	-4½
Blue Circle	1,400	216	+2
Boots	3,100	327	-14
Brit. Aerospace	1,800	531	-13
British Airways	682	149	-2
British Gas	11,000	236½	-3
British Land	2,300	281	-7
BP	6,100	324	-3½
British Steel	9,400	122½	
British Telecom	3,200	259	-2½
Bunzl	1,400	71	-1
Burmah Castrol	215	486	-7
Burton	1,300	83	-2
Cable & Wire.	2,500	452	-16
Cadburys	980	328	-1
Calor Group	1,000	244	-4
Carlton Comms.	844	384	+3
Coats Viyella	2,400	115	-6
Comm. Union	728	501	+1
Cookson	836	108	-4
Courtaulds	1,100	342	+3
Dalgety	372	553	-2

	Volume 000's	Closing Price	Day's change
Dixons	1,800	148	-5
ECC Group	718	329	-4
East Midland Elect.	44,000	150½	
Eastern Elect.	56,000	148	
Enterprise Oil	446	610	+1
FKI	109	51	
Ferranti	4,800	13	
Fisons	2,800	377	
Gen. Accident	644	466	-4
General Elect.	2,200	178	-2
Glaxo	2,300	865	+9
Glynwed Int.	948	216	-3
[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke	1,800	282	
Land Securities	247	537	-7
Laporte	68	485	+2
Legal & General	537	365	-2
Lloyds Abbey	868	344	+1
Lloyds Bank	612	296	-4
London Elect.	39,000	142	
LASMO	1,500	364	-3
Lonrho	405	228	-3
Lucas	585	135	-2
MB Caradon	652	167	-3
MEPC	284	508	-4
Manpower	257	54	+2
Manweb	27,000	166	

	Volume 000's	Closing Price	Day's change
Marks & Spencer	5,500	233	-8
Maxwell Comms.	61	154	
Midland Bank	382	209	-4
Midlands Elect.	30,000	144	
NatWest Bank	1,200	280	-6
Next	2,000	17	-2
North West Water	1,900	264	-12
Northern Elect.	23,000	142½	
Northern Foods	60	344	-3
Northumbrian Water	904	276	-2
Norweb	40,000	152	
Pearson	64	680	-11
[illegible]	[illegible]	[illegible]	[illegible]
Ryl Bk Scotland	2,600	189	-4
Royal Insurance	2,500	427	-13
STC	130	322	+½
Saatchi	1,100	33	-2
Sainsbury	3,400	298	-3
Scottish & New.	867	356	-14
Sears	3,700	83	-4½
Sedgwick	32	286	-4
Seeboard	30,000	142	
Severn Trent Water	3,500	234	-12
Shell Transport	5,500	449	
Siebe	186	318	-2
Slough Ests	121	237	-2
Smith (W.H.) A	109	360	-12

	Volume 000's	Closing Price	Day's change
Smith & Nephew	2,200	103½	+1½
SmKl Beecham	888	619	+2
SmKl Beecham Uts.	182	563	-5
Smiths Inds.	388	330	-6
South Wales Elect.	22,000	164	
South West Water	3,500	297	-2
South Western Elect.	25,000	150	
Southern Elect.	50,000	150	
Southern Water	1,100	236	-11
Standard Chartd.	466	275	-8
Storehouse	1,300	110	-7
[illegible]	[illegible]	[illegible]	[illegible]
United Biscuits	1,300	330	+2
Utd. Newspapers	19	311	-2
Water Package Uts.	18	£2583	-110
Wellcome	735	434	-4
Welsh Water	1,000	278	-6
Wessex Water	430	282	-9
Whitbread 'A'	188	440	-2
Wiggins Teape	480	188	-2
Williams Hldgs.	763	235	+2
Willis Corroon	1,400	252	-2
Wimpey	18	208	-3
Yorkshire Elect.	39,000	159½	
Yorkshire Water	2,600	273	-12

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 6.00pm.

Conflicting views on Electricity

THERE WAS mild disappointment among market traders at the level of business transacted in the 12 regional electricity distribution companies (discos) as the first session of trading drew to a close.

"Talking around the dealing desks, there is a feeling of anti-climax; the big institutions are not really playing in the stocks; they are not willing to pile in at these prices," was the comment from a specialist at one leading securities house. He said volumes in the stocks were "significantly less than we had expected".

Trading commenced with the 12 companies displaying opening premiums over the partly-paid issue prices of 100p ranging from 46 per cent, as was the case with Seeboard, up to a 76 per cent premium, as displayed by Manweb. By the close Seeboard had moved down to 142p after turnover of 20m, while Manweb had fallen to 166p on 27m. There was evidence, dealers noted, of sizeable selling by US institutions, via two securities houses.

A sizeable buying order in Eastern caused turnover in the stock to outpace the others during the first few minutes of trading.

Opening, closing and turnover levels for the other stocks were: Eastern, 147p, 148p, 56m; East Midlands, 164p, 150½, 44m; London, 151p, 142p, 39m; Midland, 157p, 144p, 36m; Northern, 155p, 142½, 23m; Norweb, 153p, 152p, 40m; Southern, 153p, 150p, 50m; South Wales, 163p, 164p, 22m; South West, 158p, 150p, 25m; and Yorkshire, 170p, 159½p, 39m. The Electricity Package opened at £1575 but fell back to £1508, with turnover recorded of 355 trades.

C and W reacts

A bearish note issued by UBS Phillips & Drew damaged the Cable and Wireless share price in an otherwise steady telecoms sector.

Mr Nick Measham, telecoms analyst at UBS, said: "Our forecast of 10 per cent compound earnings per share growth over the period 1990-95 leaves the shares 20 per cent overvalued." The analyst added that one-off changes in accounting and a fall in the tax charge have helped increase the last five year's rate of profits growth; "the absence of further such changes makes it difficult in a more competitive telecoms industry for growth to exceed the historic rate".

Cable's pre-tax profits have benefited, according to UBS, from a fall in the ratio of depreciation to fixed assets, the capitalisation of costs, a pension fund holiday and a clutch of exceptional factors. UBS expects depreciation to grow in line with the asset base and the tax charge to rise in line with the growing proportion of taxable profits from Mercury, Cable's UK telecoms subsidiary.

Cable shares surrendered 16 at 452p on turnover of 2.5m.

Discount placing

There was an early flurry of activity in Union Discount, the discount house which controls securities houses Aitken Campbell and Winterflood Securities, as well as being involved in making markets in UK government bonds and trading other financial instruments. It was revealed later that the 28.2 per cent stake held by Sir Ron Brierley's IEP Securities had been placed in the market.

The placing, representing some 5.5m shares, was carried out by Smith New Court, the London securities house which is rapidly winning a reputation for bought deals and large share placements. Smith said the shares were placed with a number of institutions. Dealers elsewhere said the stock was sold at around 550p a share.

Union shares retreated to close 14 lower at 565p after news of the deal. Smith New Court shares basked in the reflected glory of the company's latest market operations, ending 3 up at 91p, after 98p.

Stores weaken

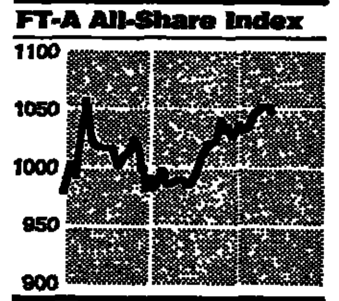
The stores sector came under heavy pressure as worries continued to grow about poor trading in the run-up to Christmas, and as hopes of an early reduction in interest rates seemed to fade. Securities houses downgraded their estimates for some of the sector leaders and warned that there may be more to come if December sales are below target.

The trigger for the declines was a delayed reaction to the November retail sales figures – the weakest since the recession of 1980-81. Meanwhile, the recent cold weather dampened hopes of a strong start to December trading.

Kingfisher fell 17 to 377p as the slow Christmas trading prompted James Capel to lower its current year estimate by £12m to £208m and next year's by £19m to £226m. Suggestions that S.G. Warburg had reduced its forecast were denied. Sears eased 4½ to 83p as lower sales volumes, particularly in footwear, led BZW to cut its present year estimate by £9m to £112m.

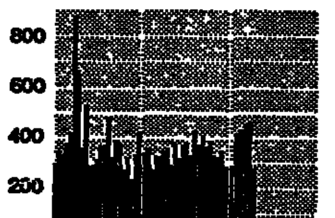
Among other shares in retreat, Boots moved down 14 to 327p, Marks and Spencer declined 8 to 233p, Ratners dropped 13 to 192p and Next was 2 off at 17p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Takeover hopes

An early burst of traded options activity boosted speculation of takeover possibilities in Pilkington, the glass manufacturer. BTR has again been linked with Pilkington since the former appointed a new chief executive, who is expected to be watching out for acquisitions, and Pilkington itself recently reported depressing interim results. However, the name of Hanson, probably the UK's most aggressive predator, was added yesterday.

Partly as a consequence turnover nearly quadrupled on Monday's figure, registering some 7.6m shares at the end of the session. The share price built on the early gain to close 6 up at 169p, after 172p.

Following last week's figures County NatWest changed its stance from sell to hold. "Buy a neutral weighting now, and go overweight when you are certain that the world recession is coming to an end," said County.

Dowty downgraded

The market was further reminded of the intensifying recessionary pressures on the aerospace industry by disappointing first-half profits from Dowty which, at £37.1m, were hardly changed from last time. Dowty's unimpressive figures did not come as a complete surprise, but they triggered a number of profits downgradings. BZW lowered its full year forecast to £88m from £92m while Hoare Govett moved down to £82m from £90m.

The main worry among City houses about Dowty's business outlook was the effect of recession on the company's information technology and polymers divisions. In its half-year results, contributions from its non-aerospace sector were disappointing, while R & D expenditure was higher than expected, said Mr Ed Wright at BZW. In the longer term the company might benefit from its non-aerospace businesses but "there is a cost in getting there", added Mr Wright. Dowty closed 10 down at 161p.

Other so-called utilities rose strongly during early trading, expecting to benefit from a good showing by the discos, but came back later in the session. British Gas settled 3 off at 236½p on turnover of 11m, having touched 244p at the outset. There were hefty losses throughout the list of water issues, exactly a year after their market debuts. The Water Package fell £110 to £2583.

The death of Dr Armand Hammer, the chairman of US oil group Occidental, led to stories that BP could launch a bid for the US group. Specialists described the bid talk as rubbish. BP shares closed 3½ off at 324p. Calor crept higher again to close at 249p, with the market still suspicious that a second session of higher than normal turnover may have represented buying of the stock by SHV, the Dutch group which is entitled to increase its 44.2 per cent equity interest by a further 2 per cent this year.

Reports that Johnson and Higgins, the US insurance broker, is about to link with Bain Clarkson, the insurance broking subsidiary of Inchcape, caused a flurry of selling pressure in UK insurance broking groups rumoured to be potential UK partners for Johnson and Higgins.

Johnson was previously linked to Willis Faber, in which it held a 5 per cent stake. Willis subsequently merged with Johnson's US rival Corroon & Black to form Willis Corroon, and Johnson sold its holding in the market.

C.E. Heath was the hardest hit of the UK brokers, losing 19 at 466p. In composites there was some sizeable selling of Royals, which dropped 13 to 427p on 2.2m. Inchcape declined 7 further to 232p.

Post-results analysis continued to drag Scottish & Newcastle down. Several researchers thought the brewer had less scope for progress than other leading stocks in any market rally, and S & N shares closed 14 lower at 356p. Smith New Court was negative on the group before the figures and advocated a switch into Grand Metropolitan, Guinness and perhaps Whitbread, but not Bass as agency reports suggested yesterday.

The favourable impression created by the new chief executive of Hickson International on several City investment banks began to show through in Hickson shares, which ended 5 up at 134p, after 139p. The appointment of Mr Ken Schofield was seen by Mr Charles Lambert of Smith New Court as putting him firmly in the driving seat to spearhead the changes necessary to put the group back on to a growth tack. His background at Manro, purchased by Hickson in 1988, is encouraging, said the Smith analyst.

Berisford International fell 4½ to 17½p as turnover swelled to 5.5m in continuing reaction to its 1989-90 losses.

Active buying of TIP Europe shares by Tiphook provided spice in an otherwise quiet transport sector. Tiphook announced later in the day that it had acquired a 9.9 per cent stake in TIP, while confirming that it has no intention of making a hostile offer for its major competitor. After its profits warning earlier this month and suggestions that it might breach a loan covenant, "it has been likely that TIP may not stay independent", said Mr Matthew Stainer at Hoare Govett.

Numerous features appeared in the electronics/telecoms arena, apart from Cable and Wireless. Racal Electronics and Telecom each settled a penny easier at 184p and 259p respectively ahead of the interim figures expected today. Late in the session it was announced that US investors have further reduced their holdings in Electronics from 13.24 per cent to 12.35 per cent.

Disappointment with Dowty's results affected other aerospace issues. British Aerospace lost 13 to 531p while Smiths Industries receded 6 to 230p.

■ Other Market statistics, including the FT-Actuaries share index, Page 22

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (29).
BANKS (1) Bank of Scotland 9¼pc Pf., BUILDINGS (2) Berkeley, Persimmon, FOODS (2) Morrison (Wm) Supermarkets, Thorntons, INDUSTRIALS (1) London Int., LEISURE (1) Airtours, PAPERS (1) Lowe Group, PROPERTY (1) Stewart & Wight, TRUSTS (6) Fleming Int High Zero Div Pf., I & S Opt. Inc Tst Zero Div, M & G 2nd Dual Inc., River Plate, Scot Nat Zero Div Pf., TR Technology Zero Pf., WATER (5) Severn Trent, South West Water, Southern Water, Welsh Water, Yorkshire Water.
NEW LOWS (57).
CANADIANS (1) Darlan Inds., BANKS (1) Brown Shipley, BUILDINGS (3) Abbey, Hewetson, Turriff, STORES (4) Casket, Goldsmiths, Next, Ramar Textiles, ELECTRICALS (3) Feedback, GEC, Northamber, ENGINEERING (2) GEI Intl., Utd. Industries, FOODS (1) Berisford Intl., HOTELS (1) Courtyard Leisure, INDUSTRIALS (11) BBS, Bioplan, Campbell & Armstrong, Forwell, Hadleigh Inds., J. S. Pathology, Marling Inds., Oriflame, Stocklake, Whitecroft, Wilkes (J), LEISURE (3) Expedier, Invicta Sound, Millwall, PAPERS (5) Abbott Mead Vickers, Addison Consult., Aegis 9¼pc Pf., Clarke Hooper, Lopex, Shandwick, PROPERTY (3) Clayform Props., Do. Warrants, Dwyer 7¼pc Pf., TEXTILES (1) British Mohair, TRANSPORT (1) Clarkson (Horace), TRUSTS (3) Drayton Cons., EFT, Precious Metals Tst., OILS (3) Global Natural Resources, NZ Oil & Gas, Santos, OVERSEAS TRADERS (1) Antofagasta, MINES (8) Cruesus Mining, Dominion Mining, Hartebeest, Monarch Res., OFS Invs., Randfontein Est., St. Helena, Vaal Reefs, Venterspost.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
Index-Linked					(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

INT. BANK AND O'SEAS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or –	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
19¼	524p	Chem. Banking Corpn.	662p	-16	$1.00	-	7.7
12½	5¼	Chrysler $6¼	6⅛	+⅛	$1.20	-	10.0
18¾	5⅜	Citicorp $1	7⅜	.....	$2.46	-	16.3
40⅛	29⅝	Colgate-Palmolive $1	37⅞	+⅜	$1.80	-	2.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

SmithKline Beecham reorganises

■ SMITHKLINE BEECHAM has restructured the board. The present board of ten executive and ten non-executive members will be replaced by a 16-member board with seven executive and nine non-executive members. Mr Alain Gomez, a French national, chairman and chief executive officer of Thomson, joins the board on January 1. Sir John Kingman and Mr Handel Evans, non-executive directors, have submitted their resignations. The following executive board members have submitted their resignations, but continue as senior corporate executives and members of the executive committee, the company's top management forum: Mr Kenneth Kermes, corporate development director; Mr Peter Jackson, corporate personnel director; and Mr Martyn Greenacre, chairman, European Pharmaceuticals.

■ Mr Oliver Miles has been appointed a non-executive director of VICKERS DEFENCE SYSTEMS. He is an assistant under-secretary (economic) at the Foreign and Commonwealth Office.

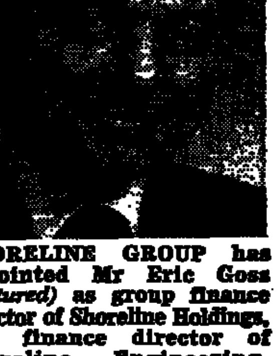
■ Mr Malcolm Baggott, group financial director of VINTEN GROUP, has been promoted to group managing director, succeeding Mr Bob Lawson who remains an executive director until next spring, when he becomes group managing director of ELECTROCOMPONENTS.

■ Mr Glyn Morgan, former marketing director of Curver Consumer Products, is to join the BRITISH HARDWARE AND HOUSEWARE MANUFACTURERS' ASSOCIATION as director of marketing, a new post, from January 1.

■ Sir William Barlow, chairman of BICC, has been elected president of ORGALIME from 1990-92. He is the first British president since Lord Nelson of Stafford in 1968-70. Orgalime is the liaison group of the European mechanical, electrical and metalworking industries with 23 member federations in 15 West European countries.

■ CLOVERLEAF, Swindon, housewares and giftwares maker, has appointed Mr Richard Smith as managing director. He was managing director of Harrison Drape, part of McKechnie Group, and succeeds Mr Trevor Jones who has become chief executive of Tootal homewares division.

■ BETTERWARE CONSUMER PRODUCTS has appointed Mr Walter Goldsmith as non-executive chairman. He is chairman of Trident, and Ansoll Estates, and a director of Bank Leumi.



SHORELINE GROUP has appointed Mr Eric Goss (*pictured*) as group finance director of Shoreline Holdings, and finance director of Shoreline Engineering, Shoreline Developments, and Shoreline Construction Services. Mr David Foley becomes a director of Shoreline Developments.

■ Mr David Federman has been appointed executive chairman of E.D. & F. MAN (COFFEE), and Mr Rob de Jong becomes joint managing director. Mr Federman was joint managing director. Mr de Jong was a director and chief trader.

■ ERNST & YOUNG has appointed two senior actuaries to its insurance actuarial division. Mr John Bannon, who becomes an executive manager, joins from William M. Mercer Fraser. Mr Dewi James, who becomes a senior manager, joins from Sturge Holdings. Ernst & Young Corporate Finance has appointed Mr Martyn Agass as a divisional director. He was vice president, acquisition finance, Security Pacific Euro Finance.

■ GREENACRE GROUP has appointed Mr John Littlechild and Mr John Nash as non-executive directors. Mr Littlechild is senior vice president of Advent International, and Mr Nash is chairman of Advent Management Opportunities.

Mr Denis Whelan (*pictured*), managing director of Initial UK, has been appointed chairman of Initial USA, and Initial Services (Ireland), all subsidiaries of BET ENVIRONMENTAL SERVICES.

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13½	£9	ABN Amro F15	£9½	+⅛	Q28%	2.1	8.7	5.4
303	134	ANZ SA1	136	+2	038c	♦	11.2	♦
233	172	Abbey National 10p	231	.....	5.7	4.3	3.3	9.4
*274	128	Allied Irish Ord	149	–2	1040%	3.3	6.0	6.8
85	47	Anglo Irish	57	.....	Q17.9%	♦	7.0	♦
93	61	Ansbacher (H.) 1p	62	+1	2.5	1.3	5.4	17.8
£71¼	£32½	Bancaire Cie Fr100	£46½	–1½	Q12¼%	–	2.8	–
£22½	£12½	Banco Bilbao Vlz.	£15¼	+1¼	Q49.1%	2.7	5.3	10.3
£58¼	£25½	Banco de Santander	£26¼	.....	Q24.7%	2.5	3.8	10.4
266	130	Bank Ireland IrÂ£1	155	.....	Q14.7%	2.9	8.5	5.4
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	116	.....	†4.55	3.4	5.2	7.4
101¼	83¾	Do. 9¼pc Irrd Pf	101	.....	9¼%	–	12.2	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	373	–10	†19.57	3.5	7.0	5.2
22	10	Benchmark 20p	10	–1	0.75	–	10.0	–
335	213	Brown Shipley £1	213	–2	±12.0	2.2	±	6.9
*435	385	Cater Allen £1	382	–1	F24.5	–	8.6	–
179	29	Chancery	42	–2	‡9.0	2.7	‡	1.7
£23¼	£14	Commerzbk DM10	£17	–⅛	Q18%	–	3.7	–
£13¼	620	Dai Ichi KBk Y50	738	+13	Q17%	6.2	0.5	34.8
£313½	£189½	Deutsche Bk DM50	£220½	–2½	Q28%	–	2.1	–
£20½	£14½	Espirito Santo	£16½	+½	Q75c	5.1	2.3	8.4
253	166	First Nat. Fin. 10p	183	–5	13.0	2.1	9.5	6.3
121	82	FNFC 6.3pc Cv Pf	95	–1	6.3%	–	8.8	–
£13¼	633	Fuji Bank Y50	847	+5	†Q17%	6.9	0.4	36.0
325	262	Gerrard & National	313	.....	19.0	–	8.1	–
154	78	Guinness Mahon 10p	78	.....	1.45	♦	2.5	♦
328	199	Hambros 20p	235	–3	†11.5	–	6.5	–
128	88	Do. 7.5pc Cv Pf	99	.....	7½%	–	10.1	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES – Contd

Components

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	459	—	3.5	10.8	2.0	12.0
225	135	Airflow Streamlines	140	—	6.0	3.0	5.7	7.8
190	145	Bostrom 5p	147	—	15.75	3.1	5.2	6.7
266	160	Dowty 50p	161	−10	19.0	2.1	7.6	7.5
299	115	FR Group	115	—	6.37	3.1	7.4	5.9
135	55	Kwik-Fit Hldgs. 10p	82	+2	12.4	2.3	3.9	15.2
174	102	Lucas Inds.	135	−2	7.0	2.5	6.9	6.6
44	14	Do. Warrants	22½	—	—	—	—	—
80	55	Mid-States 10p	58	—	s20.75	—	1.8	46.1

Garages and Distributors

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
28	15	Alexanders 10p	15	−1	1.0	3.0	8.9	4.5
135	78	Appleyard 10p	87	−1	17.8	2.4	12.0	4.1
110	55	Bletchley Motor 20p	68	—	17.5	1.9	16.7	4.3
568	398	Caffyns 50p	403	—	11.5	1.0	3.8	(36.7)
121	91	Central Motor Auctns.	91	—	13.25	3.2	4.8	8.7
61	23	Cook (D.C.) Hldgs.	23	—	1.0	5.5	5.8	4.3
89	33	Cowie (T.) 5p	49	−1	4.2	1.5	11.4	6.8
95	56	Dagenham Motors 10p	78	—	15.25	2.8	9.0	5.4
98	75	Davenport Vernon 10p	76	−2	3.5	3.6	6.1	5.3
247	163	Evans Halshaw	186	—	11.25	2.4	8.1	6.8
113	68	Gates (F.G.)	76	—	2.75	1.9	4.8	14.3
161	25	Gowrings 10p	33	—	5.63	1.0	22.7	6.7

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2946

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	91.4	96.2	-0.2	-
Pension Managed Fd	87.9	92.6	-0.2	-
Life Deposit Fd	102.7	108.2	+0.1	-
Pension Deposit Fd	106.0	111.6	+0.1	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	99.1	104.4	+0.1	-
Managed Growth	120.6	127	+0.4	-
Managed Opportunity	116.3	122.5	+0.1	-
NFMC Target Financial	89.3	94	-0.5	-
Pension Funds				
Managed Cautionary	104.9	110.5	+0.2	-
Managed Growth	125.4	132.1	+0.3	-
Managed Opportunity	118	124.3	-0.7	-
NFMC Target Magd Pen	1349	1420	-1.8	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	140.7	148.2	-	-
UK Equity	146.3	154.1	-	-
Overseas Equity	111.9	117.8	-	-
Fixed Interest	132.8	139.8	-	-
Property	126.4	133.1	-	-
Index Linked	143.5	151.1	-	-
Deposit	146.9	154.7	-	-
With Profits (B)	123.5	130.1	-	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	310.3	326.7	-0.4	-
UK Equity	389.5	410.0	-1.4	-
Overseas Eq	292.5	307.9	+0.2	-
Americas	217.8	229.3	+2.4	-
Far East	301.5	317.4	+1.0	-
Property	193.3	203.5	-0.1	-

Property Equity & Life Ass. Co
Baxter Ave, Southend SS2 6QH 0702 333433

	Bid Price	Offer Price	+ or -	Yield Gross
Int Man Pension Fd	149.1	156.9	-	-
Int Man Crncy Bd Fd		143.8	-	-
Int Man Crncy Bd Fdd		130.4	-	-
Flexible Prop Bd Fd		201.3	-	-
Flexible Money Bd Fd		365.5	-	-
Special Man. Inc. Fd		134.0	-	-

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	138.0	145.5	-1.0	-
Accum Equity	194.0	204.5	-1.0	-
Accum Managed	199.0	210.0	+1.5	-
Accum Five Star	150.5	159.0	-	-
Accum World	107.5	114.0	-	-
Accum Lifetime	101.4	101.4	-0.3	-
Pens Acc Equity	203.0	214.0	-1.5	-
Pens Acc Managed	237.5	250.5	+8.0	-
Pens Acc Intl	170.5	180.0	+0.5	-
Pens Acc Deposit	187.0	197.5	-	-
Pens Acc Five Star	159.5	168.5	-	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	197.8	208.7	-0.7	-
UK Fixed Int Acc	165.0	174.1	-0.1	-
Intl Equities Acc	151.7	160.1	+0.2	-
UK Managed Acc	157.2	165.8	-0.4	-
Property Acc	235.4	248.4	-	-
Money Acc	123.5	130.3	-	-
Special Market Acc	119.1	125.7	+0.3	-
Japan Equity Acc	91.1	96.1	-0.5	-
North American Acc	83.2	87.8	+0.4	-
Pacific Acc	75.4	79.6	-	-
Technology Acc	98.4	103.9	+4.4	-
Nat Resources Acc	50.8	53.6	-0.5	-

Royal Heritage Life Assurance Ltd

Scottish Provident Institution

Sun Life of Canada – Contd.

Albany International Assurance Ltd

Bryan Walls & Partners Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

MANAGEMENT SERVICES

The Analysis Group PLC

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
M & G (Guernsey) Ltd				
Island Global Fd	860.6	915.5	-2.7	0.84
Merrill Lynch Guernsey				
Bangkok NAV Dec 4		158.64		–
North Portfolio NAV		$10.15	+0.16	–
NM Financial Mgmt Intl Ltd				
Mngd Currency (Gsey)	£–	–	–	–
Nat Portfolio Selection Fund Ltd (Suspended)				
Conscience	£–	–	–	–
Far East Gwth	$–	–	–	–
Smaller Co's	£–	–	–	–
Special Sits	£–	–	–	–
Intl Bond	$–	–	–	–
American Fund	$–	–	–	–
American Smaller Cos	$–	–	–	–
Australian Fund	£–	–	–	–
British Fund	£–	–	–	–
European Fund	£–	–	–	–
Gold Fund	£–	–	–	–
Hong Kong Fund	£–	–	–	–
International Fund	£–	–	–	–
Japanese Fund	£–	–	–	–
Japan Smaller Cos	£–	–	–	–
Singapore & Malaysian	£–	–	–	–
Dollar Fixed Interest	$–	–	–	–
Sterling Fixed Int	£–	–	–	–
Deutschemark Currency	DM–	–	–	–
Dollar Currency	$–	–	–	–
Sterling Currency	£–	–	–	–
Yen Currency	Y–	–	–	–
Managed Currency	£–	–	–	–
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,657	2,684	–	–
New Generation Fd $	522.48	22.72	–	–
Japan Index Alpha	Y7,654	7,748	–	–
Jap Sector Rotation	Y6,746	6,845	–	–
Prudential Intl Financial Services Ltd				
Holborn Currency Fund				
Managed Sterling	129.4	130.0	+0.2	10.81
Managed Dollar	$14.26	14.30	-0.01	7.58
Sterling Deposit	100.0	100.0	–	10.37
Dollar Deposit	$10.00	10.00	–	–
DM Deposit	DM50.43	50.62	–	6.19
SWFr Deposit	SFr50.00	50.00	–	–
J. Yen Deposit	Y5,835	5,854	–	5.32
Sandi International (Guernsey) Ltd				
Intl Bond	$10.28	10.46		–
Intl Dollar	$10.27	10.28	+0.01	–
Intl Equity	$10.38	10.64	–	–

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
GW Investment Mngmt Ltd				
GW Guaranteed Futures Ltd-Ser I NAV July 31 US$9.13				
Gaia Currency Funds				
Gaia Hedge I	$118.05	118.32	–	–
Gaia Hedge II	$250.68	252.31	–	–
Gaia Hedge III	$85.48	88.01	–	–
Gaia Gtd Crncy	$96.94	–	–	–
Gartmore Investment Ltd				
Gartmore Fund Managers International Ltd				
Capital Strategy Portfolio				
Nomura Warrant Fund 1990 Ltd				
NAV		$4.16	–	–
North Star Fund Managers (Cayman) Ltd				
Invest Fund	DKr280.0	281.0	–	–
Low Risk Fund	DKr221.0	222.0	–	–
High Perf. Fund	DKr264.0	265.0	–	–
Bond Fund	DKr164.0	165.0	–	–
Second Low Risk Fd	DKr174.0	175.0	–	–
Second High Perform Fd	DKr305.0	306.0	–	–
Mixed Intl Fd	DKr141.0	142.0	–	–
Invest Fd (Cayman)	DKr127.0	128.0	–	–

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Lower D-Mark steadies ERM

THE D-MARK eased as market speculation faded that tomorrow's Bundesbank council meeting will result in higher German interest rates. This provided support for other members of the European Monetary System, and also for the dollar. The US currency, in addition, was boosted by comments from Mr Lamberto Dini, Bank of Italy director general, that the Group of Seven is to meet in January to discuss the dollar and eastern Europe.

According to an Italian news report, Mr Karl Otto Pöhl, the Bundesbank president, told a meeting of central bankers, that there would be no increase in official German rates this week.

Credit conditions remained tight in Frankfurt yesterday, and for the second day running the Bundesbank provided liquidity via money it holds on behalf of public authorities, known as Section 17 funds. This was estimated to be DM7bn on Monday but a smaller amount yesterday.

The market is now looking for further guidance on rates from today's result of the Bundesbank's 28-day securities repurchase agreement tender at variable bid rates. This replaces an expiring facility of DM27bn. Dealers are waiting to see whether the central bank injects extra funds and whether banks will again pay up to 9.05 per cent. This was the highest rate paid at the last one-month repurchase tender.

Within the EMS exchange rate mechanism, the D-Mark remained the strongest currency, but it lost some ground to the French franc, Italian lira and sterling. These currencies have tended to weaken against the D-Mark recently on interest rate factors.

The Bank of France declined an opportunity to raise official interest rates at yesterday's securities repurchase tender. The central bank left its money market intervention rate at 9.25 per cent and its five to 10-day repurchase rate - the effective ceiling for call money - at 10 per cent.

At the Paris fixing the D-Mark fell to FFr3.3962 from FFr3.3980, without intervention by the Bank of France. There was also no sign of intervention by the Bank of Italy when the D-Mark declined to L754.01 from L755.05 at the Milan fixing. It was reported, however, that the Belgian National Bank sold DM50m-100m on the open market, helping to keep the Belgian franc tied to the D-Mark in the ERM.

Sterling remained at the bottom of the ERM but rose to DM2.8700 from DM2.8625. The pound also advanced to FFr9.7450 from FFr9.7325 and to SFr2.4575 from SFr2.4550, but eased to Y256.00 from Y256.50. It fell ¼ cent to $1.9395 and its index shed 0.2 to 93.1.

The dollar traded quietly, gaining from the D-Mark's decline and from the reported G7 meeting. It rose to DM1.4800 from DM1.4725; to Y132.05 from Y131.85; to SFr1.2665 from SFr1.2625; and to FFr5.0250 from FFr5.0050. The dollar's index advanced 0.2 to 60.5.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 11	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.647	-2.23	4.51	39
D-Mark	2.05586	2.04134	-0.71	2.90	42
Dutch Guilder	2.31643	2.30261	-0.60	2.79	27
Belgian Franc	42.4032	42.3051	-0.23	2.41	9
Irish Punt	0.767417	0.767118	-0.04	2.21	0
Italian Lira	1538.24	1538.35	0.01	2.17	-3
Danish Krone	7.84195	7.85878	0.21	1.96	-12
French Franc	6.89509	6.93222	0.54	1.63	-32
Sterling	0.696904	0.712062	2.18	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

	Open	Close	Change	High	Low	Yield	Open Int.
December	89.82	89.82	-	89.92	89.81	10.18	12,663
March	89.87	89.84	-0.07	89.90	89.82	10.36	14,210
June	89.94	89.93	-0.05	89.95	89.92	10.09	3,208
September	89.96	89.93	-0.06	89.96	89.93	10.07	1,453

Estimated volume 10,960 Total Open Interest 33,534

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int.
December	1680.0	1678.0	-5.0	1687.0	1672.0	7,456
January	1692.0	1686.0	-9.0	1695.0	1686.0	861
February	1705.0	1705.0	-	1705.0	1705.0	210
March	-	-	-	-	-	0

Estimated volume 5,048 Total Open Interest 8,727

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptns.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat. Bk. of Kuwait	15		

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MONEY MARKETS

London rates firm

IT WAS a day of conflicting factors on the London money market yesterday. Three-month sterling interbank rose to 13⅝-13⅞ from 13¼-13⅜ per cent and 12-month money to 12½-12⅝ from 12$\frac{5}{16}$-12$\frac{7}{16}$ per cent, despite Monday's news of a sharp fall in UK retail sales.

Short term rates were pushed higher by tight conditions on the London money market, mainly resulting from payment for the UK electricity privatisation subscription. Rising Continental rates and speculation that the German Bundesbank may tighten its credit policy in the near future also encouraged an upward trend.

UK clearing bank base lending rate 14 per cent from October 8, 1990

On Liffe December short sterling futures fell to 86.56 from 86.62 as hopes faded of a cut in UK bank base rates before delivery of the contract on December 19. It still discounts a cut of ½ point in base rates, but is steadily moving towards alignment with the three-month cash rate.

Electricity privatisation in the UK created an exceptionally large shortage of day-to-day credit in London. This prompted the Bank of England to state that the excess funds from the subscription will be paid back over a period, with the bulk in late December. The authorities therefore offered to relieve the temporary exceptional tightness in the market by purchasing eligible bills for repurchase on December 27.

The Bank of England forecast a shortage of £2,100m and provided total assistance of £1,730m. Most of this was conducted through early help when the authorities bought £1,037m bills, for resale to the market on December 27, at rates of 13$\frac{27}{32}$-13$\frac{29}{32}$ per cent.

Before lunch another £363m bills were bought outright, by way of £8m Treasury bills in band 1 at 13⅞ per cent; £298m bank bills in band 1 at 13⅞ per cent; and £47m bank bills in band 2 at 13¾ per cent. In the afternoon £195m bills were purchased, via £39m Treasury bills in band 1 at 13⅞ per cent; £100m bank bills in band 1 at 13⅞ per cent; £16m Treasury bills in band 2 at 13¾ per cent; and £40m bank bills in band 2 at 13¾ per cent. Late assistance of around £145m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £114m, with Exchequer transactions absorbing £1,955m and a rise in the note circulation £35m. These outweighed bank balances above target of £5m.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,417 Set by CINEPHILE

ACROSS

1 Old king's regulations for salad (8)
5 Composer or worker on railway (6)
9 There's no railway going round street as a rule (8)
10 Sick fancy makes composer disagreeable (6)
11 Fruit container with ring for writing plant (8)
12 Fruit for mother and child (6)
14 Fruit for poor devil on river, an oyster-catcher (5,5)
18 Fruit container: don't permit an invite to enter (6,4)
22 Fruit for man of order (6)
23 Fruit dish to order in bed? (5-3)
24 Increased compassion is presumptuous (6)
25 Wrote sadly about small boy, a cheat (3-5)
26 Waugh as diarist? (6)
27 Table for swallowing? (8)

DOWN

1 Forty winks in church? You want a nibble (6)
2 Artist in stitch turned up to flog (6)
3 Silence at church, say, is unworthy (6)
4 Joint engineers, as in chopper, form aid to revolution (4,6)
6 Queen's city put down in a river (8)
7 Mocking is to originate outside (8)
8 Lay in rum cocktail for famous person (8)
13 "Descend from heaven softly into arbour" reveals IQ (5,5)
15 Sailors love instrument that's perfect (8)
16 Old specimen being more than enough (8)
17 King every time it's dark becomes chivalrous (8)
19 Played an instrument that's groovy (6)
20 Old primate, a writer without a master's .... (6)
21 .... award for sixty minutes (6)

Solution to Puzzle No.7,416

EDWARD ASPHODEL / GUNRUNNER GRIEG / LEAR BURNEJONES / STRAUSS HAMMER / REMAIN TOENAIL / OFTHESCOTS KING / HEATH ELLINGTON / TRAPPIST BEADLE

هكذا من الأصل

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices December 11

MONTREAL
Closing prices December 11

Total Sales 6,548,025 shares.

INDICES

NEW YORK

DOW JONES	Dec. 11	Dec. 10	Dec. 7	Dec. 6	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	2586.14	2596.78	2590.10	2602.48	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.10	91.06	90.92	90.87	93.04 (3/1)	88.44 (24/9)	—	—
Transport	905.17	909.67	909.67	913.79	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.07	210.45	210.07	211.27	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

‡Day's High 2606.98 (2609.41) Low 2565.59 (2566.58)

STANDARD AND POOR'S

	Dec. 11	Dec. 10	Dec. 7	Dec. 6	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	326.42	328.89	327.75	329.07	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	381.98	384.88	383.70	384.86	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	23.32	23.55	23.41	23.09	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	178.42	179.58	179.07	179.71	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	306.11	306.61	306.45	306.35	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	367.99	371.47	371.54	372.29	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec. 7	Nov 30	Nov.23	year ago (approx.)
Dow Industrial Div. Yield	3.98	4.01	4.06	3.90

	Dec. 5	Nov.28	Nov.21	year ago (approx.)
S & P Industrial div. yield	3.31	3.42	3.44	2.92
S & P Indl. P/E ratio	15.89	15.37	15.29	14.82

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Oxy Pete	8,140,000	22⅝	+ 1⅜
IBP	1,791,300	19	+ 2⅝
AT & T	1,677,800	29½	- ⅜
Texas Inst.	1,606,500	34½	+ ¼
Gen. Motors	1,454,400	35⅝	- 1⅛
Toys R US	1,420,500	23¾	+ ⅞
Conner	1,405,200	25¼	- 1⅝
LA Gear	1,361,800	16	- ⅜
Philip Morris	1,355,900	50¾	+ ½
Waste Mngmt.	1,110,500	35½	+ ½

TRADING ACTIVITY

† Volume Millions	Dec. 11	Dec. 10	Dec. 7
New York	145.330	138.650	164.950
Amex	10.592	7.708	10.466
NASDAQ	(u)	111.251	124.579
Issues Traded	2,024	2,043	2,020
Rises	564	781	745
Falls	981	775	771
Unchanged	479	487	504
New Highs	20	17	15
New Lows	50	39	30

CANADA

TORONTO	Dec. 11	Dec. 10	Dec. 7	Dec. 6	1990 HIGH	1990 LOW
Metals & Minerals	2766.69	2754.03	2756.89	2774.13	3453.05 (4/1)	2486.60 (8/11)
Composite	3239.25	3236.85	3233.56	3239.37	4009.47 (3/1)	3089.91 (16/10)
MONTREAL Portfolio	1731.63	1731.23	1727.70	1732.41	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 11	Dec. 10	Dec. 7	Dec. 6	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1321.6	1329.6	1335.6	1323.5	1713.7 (12/1)	1292.2 (2/11)
All Mining (1/1/80)	610.9	615.6	621.0	619.0	860.8 (5/1)	610.9 (11/12)
AUSTRIA						
Credit Aktien (30/12/84)	477.08	481.33	478.98	467.17	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5139.81	5165.78	5131.33	5069.91	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	323.42	324.69	324.89	323.61	388.29 (20/7)	322.27 (5/12)
FINLAND						
Unitas General (1975)	411.3	414.8	413.8	(c)	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	442.46	446.13	447.02	442.75	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1665.54	1675.01	1690.71	1693.52	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	641.21	650.02	649.47	643.08	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1821.9	1851.3	1846.6	1827.8	2414.0 (3/4)	1620.7 (28/9)
DAX (30/12/87)	1492.68	1504.89	1512.84	1504.67	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3144.62	3149.13	3163.69	3126.79	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1235.84	1232.86	1219.60	1211.41	1893.10 (22/1)	1193.66 (5/12)
ITALY						
Banca Com. Ital. (1972)	533.79	541.49	545.03	538.18	763.52 (14/6)	500.67 (29/11)
JAPAN						
Nikkei (16/5/49)	23956.97	23784.67	23522.49	22553.10	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1771.63	1757.02	1740.34	1667.80	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	2876.16	2866.93	2835.84	2767.39	4477.16 (16/7)	2763.32 (5/12)
MALAYSIA						
KLSE Composite (4/4/86)	500.52	504.26	(c)	490.58	632.22 (1/8)	459.98 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	229.3	229.7	230.9	231.6	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	168.1	168.4	169.2	169.8	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	668.96	678.16	678.49	682.92	915.13 (2/8)	653.46 (21/11)
PHILIPPINES						
Manila Comp (2/1/85)	664.29	643.15	621.99	618.11	1160.70 (21/3)	534.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	325.81	327.15	331.98	319.92	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1189.0	1197.0	1197.0	1215.0	2230.0 (16/1)	1197.0 (7/12)
JSE Industrial (28/9/78)	2994.0	2986.0	2956.0	2947.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	725.56	735.33	730.96	717.82	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	240.13	241.20	239.45	(c)	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	905.5	912.7	910.7	910.1	1329.9 (5/7)	815.6 (27/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	644.1	646.1	650.6	650.9	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	532.3	534.9	539.1	539.8	698.2 (13/7)	510.4 (26/11)
TAIWAN**						
Weighted Price (30/6/66)	4593.72	4522.31	4949.81	4741.86	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	661.88	(c)	632.37	607.15	1143.78 (25/7)	544.30 (30/11)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	474.1*	474.4	473.1	465.9	571.0 (4/1)	423.1 (28/9)

**Saturday December 8: Taiwan Weighted Price 4745.46 Korea Comp Ex. 733.73
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 11 December 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Marubeni	24.6m	712	+7	Tokyo Gas	8.9m	613	+8
NKK	17.8m	404	-3	Cosmo Oil	8.7m	720	+50
S'tomo Metal	14.0m	439	-5	M'bishi Heavy	8.6m	695	+3
Nippon Steel	12.9m	432	+1	Chiyoda Corp	8.6m	1,840	+50
C.Itoh	11.3m	716	+11	Tokyu Cnstrn	7.6m	1,250	+90

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

4pm prices December 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

— A—A—A —

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30⅞	9½	AAR	.48	3.8	8	571	12¾	12⅝	12¾	+ ⅛
8¾	7¾	ACM e	1.01	11.		172	8⅞	8¾	8⅞	+ ⅛
11⅛	8¾	ACMIn	1.26	12.		1886	10¼	10	10¼	+ ⅛
9¼	6½	ACM M	n1.01	14.		1210	7½	7¼	7⅜	+ ⅛
12⅛	10	ACMMM	1.50	13.		131	11¼	11⅛	11¼	+ ⅛
11½	8⅞	ACM Sc	1.26	13.		1584	9¾	9½	9¾	+ ⅛
9⅝	7¼	ACMSp	1.01	12.		654	8½	8⅜	8⅜	− ⅛
24⅝	18¾	AL Lab	.18	.7	19	17	24	23¾	23¾	− ⅜
4⅝	1	AM Intl				185	1⅜	1¼	1¼	
19⅞	4⅝	AM In pf	2	27.		37	7⅝	7½	7½	− ¼
70¼	39¾	AMR			15	4369	62¼	61⅛	61⅞	+ ¼
26½	25	ANR pf	2.67	10.		4	26	26	26	+ ⅝
24⅝	22¼	ANR pf	2.12	9.5		1	22¼	22¼	22¼	− ⅛
4	1⅛	ARX				44	1¼	1⅛	1⅛	
72¾	38¼	ASA	3	7.4		304	41½	40⅝	40¾	− ⅝
3½	2⅛	ATTC wt				1187	2⅜	d 2⅛	2¼	− ⅛
45⅝	31¼	AbtLab	s.84	1.9	21	5362	45¼	44⅝	44⅞	− ⅜
14	10¾	AbitiPri	g .50			103	11	10⅞	10⅞	+ ⅛
11⅛	4⅞	AcmeC	.40	7.8	12	81	5⅜	5¼	5¼	− ¼
9⅜	5	AcmeE	.32	5.8	9	6	5½	5½	5½	− ⅛
32¾	18⅞	Acuson s			22	1958	28½	27⅝	27⅝	− ⅝
16⅞	14⅛	AdaEx	1.72e	12.		83	14⅝	14¼	14⅝	
15¼	10	Adobe				51	10⅜	10¼	10¼	− ⅜
20¼	16	Adob pf	1.84	11.		28	17½	17½	17½	+ ⅛
21⅛	19¼	Adob pf	2.40	12.		45	19⅝	19½	19⅝	
11⅞	3⅞	AMD				6801	5	4¾	4⅞	− ¼
32⅞	13	AMD pf	3	19.		110	15⅝	15¼	15⅜	+ ½
9	1⅝	Advest	.16	6.7		161	2½	2⅜	2⅜	
61	29	AetnLf	2.76	7.1	9	3004	39½	38⅝	39	− ⅜

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅞	8⅛	PHYM	.81	9.5		386	8⅝	8⅜	8½	
9½	7⅛	PIGIT	.96	11.		4331	9⅛	8⅞	8⅞	−⅛
12	10¼	PIGM	.89	8.0		422	11⅛	10⅞	11⅛	+⅛
9⅝	8½	PMM	.76	8.4		1152	9⅛	8⅞	9	+⅛
8⅛	6	PMIIT	.87	13.		1629	6⅞	6¾	6⅞	+⅛
6¾	6¼	PMIT	.93	13.		1946	7⅜	7⅛	7⅜	+⅛
8½	6	PPrIT	.93	13.		6673	7¼	7	7¼	+⅛
21¼	8½	QMS			10	411	14½	13⅝	13⅞	−⅝
13-16	5-64	Qantel				238	5-32	9-64	9-64	
59¼	41⅞	QuakrO	1.56	3.1	18	993	51	50½	50½	−¼
15⅛	7⅞	QuakSC	.80	6.7	16	894	12⅛	11¾	12	−¼
18⅞	9⅞	Quanex	.48	3.8	6	x107	13⅛	12⅝	12⅝	−½
30½	19⅞	Quanx pf2.26		9.7		z28	23⅛	23½	23½	−¼
22¼	6⅛	Quantm	.44t	3.2	12	3184	14⅛	12⅝	13⅞	+1⅛
14	11⅞	QstVl	1.20a	9.4		611	12⅞	12¾	12¾	−⅛
14⅛	10¼	QstVC				258	11⅝	11½	11⅝	
39⅞	32⅝	Questar	1.96	5.4	14	75	36½	36	36	−¾
16⅞	9¼	QkRelly	.28a	2.8	8	87	10	9¾	9⅞	+⅛
		— R–R–R —								
11⅞	10⅛	RAC In	1.28	11.		x235	11⅛	11	11	−⅛
5⅝	2	RAC	.85e	12.	6	105	5¼	5	5¼	
22	17¼	RJR pf				2481	21¼	20⅞	21	−¼
7⅞	3¾	RJR Nb wt				1425	5	4⅞	5	
14⅛	8¼	RLI Cp	.44	3.4	6	27	13⅛	13⅛	13⅛	
13	3¾	RMI Ti	.10	2.1		733	4⅞	4½	4⅞	
17⅝	6⅝	ROC Fd.22e		2.7		251	8⅛	8⅛	8⅛	
9⅛	5⅝	RPC			18	21	8⅝	8⅜	8⅝	−⅛
6¾	4½	RPS	.83e	15.	6	345	5½	5¼	5½	+⅛
41⅞	30	RTZ n	1.69e	4.8	9	5	35	34¾	35	
87¼	42⅝	Racal	.60e	1.2	25	1626	49⅞	49¼	49⅛	−⅜
108¼	77¾	RalsPur	1.85	1.9	15	359	98½	97¾	98¼	−⅜
8⅜	5⅝	RangrO	.06e	.9	16	975	6⅞	6¾	6¾	−¼
35½	15¾	Raycm	.32	1.5		363	21⅞	20⅞	20⅞	−¾
22⅝	14⅞	RJamF	.24	1.4	8	15	17⅝	17¼	17¼	−⅜
28½	16¼	Rayonr	3.60	18.	6	63	19½	19¼	19⅛	+⅛
2⅞	1⅛	vjRaytc			1	3	1⅞	1⅞	1⅞	
71¼	57¾	Raythn	2.40	3.6	8	1008	67⅞	66½	66⅞	−⅜
28	21	RdrDg n	.60	2.2	17	684	27½	28⅛	27½	+¼
4	1⅛	RdgBte				1970	1⅞	1⅝	1⅝	
16⅛	11⅝	REIT	1.42	11.	9	67	13	12¾	12¾	−⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39½	16⅞	Springs	1.20	5.7	211	x60	21⅞	20⅞	21⅛	+⅜
60¼	33⅞	SquarD	2.20	4.2	13	4894	56	52½	52¼	−3½
15	4⅝	StBPnt				49	6	5⅞	5⅞	−⅛
14	6½	StdCm	.52	4.9	188	15	10⅝	10¼	10⅝	+⅛
10¾	6½	StFdBk	.40	5.7	5	133	7⅛	7	7	−⅛
15¼	5⅞	StMotr	.32	4.6	12	61	7	6⅞	7	
16	4⅞	StdPac	.20	3.8	2	367	5⅛	5⅝	5⅝	
26¼	12⅞	StdPrd	.48	3.9	14	80	12⅞	d12¼	12¼	−⅝
27⅞	20⅝	Standex	.72	3.3	9	15	21⅞	21⅝	21⅞	
34⅞	24⅞	Stanhm	.92	2.8	13	320	32⅞	32½	32⅞	+⅜
40	28⅞	StanWk	1.20	4.0	11	456	30¼	29¾	30	+⅜
26⅞	18¼	Starrtt	.68	3.4	7	20	20⅛	20⅛	20⅛	−⅛
11⅛	8⅞	StaMSe	1.04	11.		72	9½	9⅜	9½	+⅛
5⅞	1⅞	Steego			31	10	2⅛	2½	2½	−⅛
10	8	StriBcp	.20	2.5	21	99	8⅛	8	8⅛	−⅛
8⅝	5⅛	StrlCh	1	17.	5	182	5⅞	5⅝	5⅞	
10½	3¼	StrlOp				272	3⅛	d 3	3	−⅛
11	5½	SterlSft			9	866	8⅛	7½	8⅛	+½
49	40⅝	StrlS pf7.20		16.		12	44	43⅞	43⅞	−⅛
8⅛	3½	Stifel				15	3⅞	3⅝	3⅝	
41⅞	25⅛	StneW s1.20		3.7	61	5	32⅞	32½	32⅞	
25¼	8⅛	StoneC	.72	6.8	4	601	10⅞	10½	10⅞	
8⅞	3⅛	StonRs				110	3⅞	3⅝	3⅞	+⅛
11½	6⅛	StorEq	.90	12.	5	274	8⅛	8½	8½	
35¼	11	StorTc n			10	1488	21⅛	20	20⅞	−⅜
29	14⅞	Stratus			14	1694	23	22⅛	22⅞	
30⅞	19½	StrideR	.40	1.5	13	227	27⅛	26⅞	27⅛	−⅛
31½	21½	SturmR	1.20	5.2	9	4	23½	23¼	23¼	−⅛
14½	5	SumSh	.20e	2.1	6	53	9½	9⅜	9⅜	−½
10½	7⅛	SunDis s1.10		13.	4	105	8⅞	8⅝	8½	+⅛
4½	2⅛	SunDisB				173	3⅜	3	3⅛	
22½	8¼	SunEl			259	215	10½	10⅛	10⅛	−⅛
13⅝	9⅞	SunEng	1.26e	14.	32	114	10	d 9⅞	10	+⅛
43¼	25⅞	SunCo	1.80	6.0	427	1184	30⅛	29⅞	29⅞	−⅛
39⅞	21¾	Sunst s	1.10	3.8	10	727	31	29⅞	29	−⅞
4	1⅞	SunMin				4284	1½	d 1⅛	1⅛	
9⅞	5½	SunM pf1.19		19.		119	6½	6⅛	6⅛	−⅛
24⅛	16½	SunTrst	.92	4.2	8	1446	22⅞	21⅞	22	+⅛
20⅝	14⅝	SuprFd s.34		2.1	10	46	16⅞	15⅝	15⅝	
29	21⅛	SupValu	.86	2.8	12	2817	23⅞	22⅞	23¼	+1

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29¼	23	SouthCo	2.14	8.0	14	3613	27	26⅝	26¾	−⅛
31¼	27⅞	SoInGs	1.90	6.1	10	9	31⅛	31⅛	31⅛	
46½	25	SNETl s1.76		5.5	14	156	32⅛	31⅞	32⅛	−⅛
20	12⅞	SwAirl s	.10	.5	14	357	19	18⅛	18⅞	+⅛
18½	11⅛	SwtGas	1.40	10.	9	128	13⅞	13⅜	13⅜	−⅛
64¾	47⅞	SwBell	2.76	5.0	15	2257	55⅞	54⅞	55⅛	−½
36½	28⅛	SwEnr	.56	1.8	19	339	30⅝	30½	30⅝	+⅛
31⅞	26⅛	SwdPS	2.20	7.7	11	342	29	28⅝	28⅝	−⅛
31⅞	10⅝	Spain	.98e	8.3		24	11⅞	11⅝	11⅞	
6⅞	2½	Sparton	.13j			144	3⅛	3	3⅛	+⅛
7⅞	3	Sprague	.05e	1.5	10	49	3⅛	3⅛	3⅛	−⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29½	24⅛	UnElec	2.16	7.3	10	2765	u29⅞	29⅛	29⅝	+½
40	37⅛	UnEl pf3.50		9.1		z100	38⅝	38⅝	38⅝	−⅛
47	42⅛	UnEl pf	4	8.8		z400	46	45½	45½	−1⅛
52	47⅞	UnEl pf4.50		9.2		z400	49	48¾	49	
79⅞	61⅞	UnPac	2.80	3.6	11	1452	69	68½	68⅝	−¼
12½	6½	UPlntr	.48	6.7	5	3971	7⅛	7	7⅛	−⅛
26¾	16⅞	UnTex	.20	1.2	54	708	17	d16⅛	16⅛	−⅜
19⅜	1½	UnitedF .25j				191	3⅛	3	3⅛	
17⅞	1⅞	Unisys	.75j			3921	2⅞	2⅞	2⅞	
38⅞	8	Unisy pf3.75		41.		1141	9⅜	9	9¼	−⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25	12½	XTRA pf1.94		15.		108	13½	13¼	13⅛	
4	5-16	Zapata				251	9-16	½	½	
8½	3	Zemex				2	3⅛	3⅛	3⅛	
13⅝	4	ZenithE				1155	6⅛	5⅞	6⅛	+⅛
19	9⅞	ZenNtl	1	8.4	8	29	12	11¾	11⅞	+⅛
7⅞	4⅞	Zenix	.93	20.		190	4⅞	4⅛	4⅝	
17⅛	9⅞	Zero	.40	3.6	12	128	11½	11¼	11¼	−⅛
51⅛	29⅝	Zurn	.88	2.5	16	153	35⅞	35¼	35½	−¼
12⅝	10⅛	Zweig	1.18e	11.		292	10⅝	10⅜	10⅜	
10	7⅞	ZweigTl	.84	9.6		1213	8⅝	8⅝	8⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices December 11

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
AT&E			749	3	2⅞	2⅞	+⅛
ATT Fd2.47e			69	52⅞	52⅛	52½	−⅜
Acton			16	4⅞	4⅛	4⅛	−⅛
AirExp		7	128	15	14⅞	14⅞	−⅛
AlbaW		7	1	6⅛	6⅞	6⅞	−⅛
Allin			75	1	⅞	⅞	−⅛
Allstar			138	⅛	⅛	⅛	
Alphain			30	2½	2⅞	2½	
Alza		70	8580	47⅛	45⅛	46⅞	+1⅞
Amdhl	.10	9	1140	13⅞	13⅛	13⅛	−½
Alsraei	.27e	12	3	32½	32⅛	32⅞	−⅜
AMzaA	.64	48	35	17⅞	17⅞	17⅞	+⅝
APetf	3.20	10	22	79½	79½	79½	−⅛
APrec s	.16	32	16	15	15	15	−⅛
AScIE			20	6⅝	6½	6⅝	−⅛
AmSwM	.88	7	369	5⅛	5	5⅛	
Ampal		175	111	1⅞	1⅞	1⅞	+⅛
Andal			35	1½	1½	1½	
Astrotc			2	1⅛	1⅛	1⅛	
Atari		22	335	2	1⅞	2	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ConcdF		4	65	4⅛	4⅛	4⅛	
Congst			1634	1½	1½	1½	
vjCornln	.50e		54	⅞	⅛	⅞	
vjCstAr			3514	2⅞	2⅛	2⅛	−⅛
Coron n	.10e		128	4⅞	4⅛	4⅞	+⅛
Cross	1.28	13	377	23	22⅛	23	+⅞
CrnCP	.60e	10	59	23⅛	23⅛	23⅛	+⅛
CrCPB	.60e	10	128	22	21⅞	21⅞	−⅛
Cubic	.48	5	28	19	18½	19	
Custmd		5	63	5-16	¼	¼	−1-16
CypFd	.73e		217	5	4⅞	5	
		— D–D —					
DI Ind			10	1⅝	1⅝	1⅝	+⅛
DWG			200	3⅞	3⅛	3⅛	−⅛
Delmed			701	⅛	1-16	⅛	
Degntrn		6	1	2⅞	2⅞	2⅞	+⅛
Ducom		16	15	4	3⅞	3⅞	−⅛
Duplex	.76	8	9	11⅝	11½	11⅝	−⅛
		— E–E —					
EastnCo	.56	15	5	18	17⅞	18	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
		— I–I —					
ICH			475	3⅛	3⅛	3⅝	
ImpOil	g1.80		220	51½	51¼	51½	
InstSy		4	108	1⅞	1⅞	1⅞	
IntlgSy			126	1¼	1¼	1¼	−⅛
Intrmk	.09j		101	2⅞	2¼	2¼	−⅛
IntPwr			1	11-16	d11-16	11-16	−1-16
IntTch			643	⅞	⅛	⅞	
IntThr			220	3-16	3-16	3-16	
IroqBrd			6	1⅞	1⅝	1⅝	−⅛
		— J–K —					
JanBell		16	50	8⅛	8	8⅛	+⅛
Jetron			6	⅞	⅞	⅞	−1-16
JohnPd		6	3	2	2	2	
Kinark	.01e	6	40	4⅛	4⅛	4⅛	
Kirby		14	595	8	7⅞	8	+⅛
		— L–L —					
LaBarg			5	⅞	⅞	⅞	
Laser			8	3⅞	3½	3½	−⅛
Lawson	.40		2	6⅞	6⅞	6⅞	−⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PhlLD	.15e	6	392	9⅛	8⅝	8⅞	−⅛
Pittwy n	.80	12	12	27½	d27½	27½	−⅛
Pitwy A	1.10	8	128	19½	18	18	−¼
PlyGem	.12	10	247	6	6⅛	6	
Presd A	.30		105	5⅞	5⅛	5⅛	
PrcCom			82	5-16	¼	¼	−1-16
Prism		4	2	1⅞	1⅞	1⅞	
ProMed	.48	9	9	4⅛	4⅛	4⅛	
ProfCre			1098	6	5⅞	5⅞	+⅛
		— R–R —					
Ragan	.12		9	22½	21¾	21¾	−1¼
ReCap		9	24	12⅞	12½	12⅝	−⅛
Riedel			45	8⅞	8	8	
Rogers	.12		12	17	16⅛	17	+⅛
Rudick	.40a	9	17	21⅞	21⅛	21⅛	−⅛
		— S–S —					
Salem		4	11	5⅞	5	5	−⅛
SbUCo n		35	13	11-16	13 11-16	13 11	

NASDAQ NATIONAL MARKET

3pm prices December 11

Stock	Div.	Sales 100s		High	Low	Last	Chng
A&W Bd		23	375	31¼	30½	30⅞	+⅛
ACC Cp	.16	13	7	7⅛	6⅞	6⅞	−¼
ADC		15	229	24½	24	24⅛	+⅜
ADT	t	6	1687	23½	23¼	23½	+⅛
AST		9	6785	28⅞	26⅛	26⅛	−1⅞
Acclaim		6	587	4⅛	3⅞	3⅞	−⅛
AcmeSt		14	210	13⅝	d13⅛	13⅛	−¼
Aculom		12	72	13	d11⅞	12⅛	−½
Adapt		6	21081	14⅞	9⅞	10	−5
Adingt s		9	285	12½	11⅞	11⅞	−⅛
AdiaSv	.16	13	468	21¼	20½	21	−¼
AdobeS	.24	16	2404	29	28	28⅛	
AdvCir s		4	409	5⅞	5	5⅛	
AdvLog		6	484	8⅞	8	8⅛	+½
AdvPoly			50	2⅞	2⅝	2⅝	−⅛
AdvTel		12	104	17	16⅞	16⅞	−⅝
AdvoSy		13	74	12⅛	11⅞	12	−⅛
Aegon	2.71e	6	234	65	64⅞	64⅞	−⅛

Stock	Div.	Sales 100s		High	Low	Last	Chng
Cytogn			725	10⅛	9⅞	9⅞	−⅛
Cytgn pf			1	37	37	37	
		— D–D —					
DF Sou	.15e	3	514	6⅞	6⅝	6⅞	+⅛
DH Tch		6	68	7⅞	7½	7⅞	+½
DNA Pl			397	3⅞	3½	3⅞	+1-16
DS Bnc	1.20	6	498	12⅛	11⅞	12	+½
DSC		7	3383	5⅞	5½	5⅞	−⅛
DVIFn			511	11½	11	11½	+¼
Dahlberg		12	10	12½	12½	12½	
DartGp	.13	12	10	71	71	71	+2
Datflx		9	97	9	8⅞	9	−⅛
DtSwtch		13	1516	4	3⅝	3⅞	+¼
Datscp		17	397	29⅛	28½	28⅞	
Dauphn	1.48	8	41	27⅛	27	27½	−⅛
DebShp	.20	7	14	7⅛	7⅛	7⅛	
DekbE	.32	10	383	28⅛	28⅛	28⅛	
DkbGn	.80	12	124	33⅛	32½	32⅞	−⅞

Stock	Div.	Sales 100s		High	Low	Last	Chng
Joslyn	1.60	12	43	24¼	23½	24	
Juno	.28	11	x775	17⅝	17	17	−¼
Justin s	.40	16	25	14⅛	13½	13⅞	+¼
		— K–K —					
KLA		20	514	8⅛	7⅞	7⅞	−⅛
K Swiss			424	18	18½	18⅛	−1⅞
Kaman	.44	7	545	7⅞	7½	7⅞	−¼
Karchr	.08	29	817	5⅞	5⅛	5⅞	
Kasler	.10	25	262	12⅞	12½	12½	−⅛
Kaydon	.60	12	x4	34	33	34	+⅛
KelyOil		252	302	7⅞	7⅛	7½	−½
KelySA	.86	13	41	32½	31⅞	32	−½
KyCnLf	.40	6	346	8⅝	8¼	8½	+⅛
KyMed s		3	19	7⅞	7½	7½	−½
KeyCen	.64	9	137	11½	11¼	11⅛	−⅛
Kimbal	.88	8	419	17⅛	17	17	
KndrLr			1470	1⅛	⅞	13-16	−5-16
Kirschn			13	10⅞	10	10⅛	−⅛

Stock	Div.	Sales 100s		High	Low	Last	Chng
Raymd		19	4	8	7⅛	7⅛	−⅛
RgcyCr		10	160	1⅛	1 3-32	1 3-32	−1-32
Repligen			73	8⅛	7⅞	7⅞	−⅛
RepWst			1085	7½	7	7	−⅛
RshInd		48	92	12⅞	12½	12⅞	−⅛
ReutHd	.81e	13	3437	38⅞	38⅛	38⅛	
Rexon		7	38	5⅞	5⅞	5⅞	
Richld		15	129	9⅛	9	9⅛	+⅛
RigsNt	1.25	14	505	10⅛	9⅞	9⅛	−⅛
RivFor	.28	10	21	22⅛	21⅞	22⅛	
RoadSv	1.10	14	291	36⅞	36⅛	36⅛	
RobPhr			47	3⅛	2⅞	2⅞	−⅛
RochCS	.56	5	392	7⅞	7⅞	7⅞	+⅛
RewlFn	.80		157	9	8⅞	9	+⅛
RossStr		8	1637	6⅛	5⅞	6⅛	+⅛
RoTech		20	498	6⅛	6	6⅛	+⅛
Rouse	.60		1227	16⅛	14⅛	15⅞	−1
RyanF		12	1787	5⅛	5⅛	5⅛	+⅛

Stock	Div.	Sales 100s		High	Low	Last	Chng
WmSon s		19	131	20	19½	19½	−⅛
WilmTr	1.44	10	381	38½	37½	38⅛	−⅛
WisrO	.40a	29	11	16⅛	16	16	
Wolohn	.28b	8	26	14⅛	13⅛	14⅛	+⅛
WrlEsp			836	4⅛	4	4⅛	+⅛
WrlEx pf			166	11⅞	11⅛	11⅞	−⅛
Worthg	.60	16	65	21⅞	21⅛	21⅛	−⅛
Wyman	.80		350	7	6⅞	6⅞	
		— X–Y–Z —					
XL Dta		4	142	6⅞	6½	6½	−⅛
XOMA			1304	18⅛	17⅞	18	+½
Xicor			4000	12⅛	12⅛	12⅜	+⅜
YanEnS	1.52	13	42	21½	20½	21½	+1
YelowF	.94	29	751	26	25⅞	25½	−½
YorkFs		13	760	10⅞	9⅞	10⅛	+⅛
Zeos		15	249	13½	12½	13½	+⅛
ZionBc	1.44	8	6	30	29¼	30	

AMERICA

Fall in technology stocks helps drag equities down

Wall Street

A DROP in oil prices and the release of more US hostages in the Gulf failed to prevent a fall in technology stocks from dragging the market down yesterday, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was 10.64 off at 2,586.14, but above its low for the day. Turnover was a modest 145.3m shares, with declines outnumbering rises by 983 to 559. The Standard & Poor's 500 slipped 2.46 to 326.43, the American SE composite 0.50 to 306.11 and the Nasdaq composite index of over-the-counter stocks 3.49 to 367.98.

The recent rally on growing hopes of a peaceful settlement to the Gulf crisis appears to have run its course, analysts said. The market's attention has now switched to the depressing domestic economic fundamentals, with any further easing of monetary policy by the Federal Reserve already discounted in share prices. The fall in crude oil prices yesterday – a barrel of January crude was down $1.00 at $25.90 in late trading – did not lift the gloom.

The technology sector ran into steady selling after the semiconductor industry's leading indicator for November fell further than analysts had expected. Advanced Micro Devices shed $¼ to $4⅞ in busy trade, Motorola gave up $⅞ to $51¼ and National Semiconductor eased $⅛ to $4⅝.

Among computer manufacturing issues, IBM lost $⅝ to $112⅞, Hewlett Packard $1⅛ to $31⅞, Digital Equipment $1⅝ to $54⅜ and Compaq $2⅝ to $55¼.

However, Texas Instruments improved $¼ to $34⅛ on turnover of 1.5m shares after the company announced a 10-year semiconductor cross-licence agreement with Toshiba, of Japan. The agreement replaces a five-year pact which expires at the end of the year.

Adaptec, a manufacturer of computer data flow systems, plunged $5⅛ to $9⅞ on turnover of 2.2m shares on reports that the company had said third quarter earnings would be significantly below expectations. Barton Industries, suppliers to the oil and gas sector, plummeted $1⅛ to $1⅛ after it predicted a possible loss for the latest fiscal year.

Yesterday's fall in oil prices and the death of Mr Armand Hammer, the founder and chairman of Occidental, failed to upset the latter's shares, which rose $1⅛ to $22⅛ on turnover of 5m. Investors bought the stock on hopes that the oil group's performance will improve, or that a takeover attempt will be launched.

IBP, the meat and products group, surged $2⅛ to $18⅞ on turnover of 1.6m shares. Occidental owns just over 50 per cent of IBP stock, and analysts believe the company is likely to be sold following the death of Mr Hammer, who was said to be fond of IBP.

Immunex advanced $1¼ to $38⅜ in brisk trading on hopes of a favourable reception to its white blood cell stimulating product from the Food and Drug Administration advisory panel tomorrow. The product, due for FDA review, is for the treatment of bone marrow transplant failure.

Canada

TORONTO stocks again closed mixed after trading within a nine-point range for the composite index in a dull session.

The index was finally a net 2.4 harder at 3,239.2 on volume of 24.8m shares, up from Monday's thin 15.8m, but falls edged out advances by 314 to 255.

An analyst commented: "The market was getting a bit ahead of itself on hopes of lower interest rates in the States . . . now it has got to sit back and wait." The market has been anticipating a fall in the US Federal Reserve's discount rate.

Stratford Software, down 30 cents at C$1.30, has reduced its staff to five from 15 as a cost-cutting measure.

Taiwan stands out in bleak November

William Cochrane reviews a more defensive month in the developing financial world

NOVEMBER was a bleak month for international equity markets in South and East Asia, Europe and the Middle East, as political events seemed to be moving towards war in the Gulf; but there was one exception in the ebullient but deceptive performance of Taiwan.

With a rise of 52 per cent in dollar terms, Taiwan heads the advances in last month's emerging markets indices from the International Finance Corporation, an offshoot of the World Bank in Washington.

However, Mr Peter Bristowe, a director of Hoare Govett International Securities, observes that Taiwan's recovery will be scant comfort for any investor who got in at February's 1990 peak; even after the November gains the market was still more than 50 per cent below its peak.

He ascribes the rally, in part, to a technical rebound; partly to the confirmed construction of a fifth naphtha cracker for the expansion of the country's petrochemicals production; to expectations of the market opening up to direct foreign investment, which encouraged locals to come back in; and to interest rates drifting down.

Elsewhere in Asia, Thailand shed 16 per cent after a good October. David Bates of Asia Equities says that, in addition to heightening fears about the Gulf, political problems involved the prime minister, Mr Chatichai Choonhavan, the army, and some government ministers who were unpopular with the army establishment.

A small cabinet reshuffle demoted one of these ministers during November; this month, the resignation and subsequent reappointment of the premier should allow him to reshape his cabinet without losing too much face with the army.

In Latin America, Chile has moved up after an extremely dull year, according to Mr Eduardo Faria of Latin American Securities. The market had moved little on the Gulf crisis, although it imports about 75 per cent of its oil needs.

During the month, measures were announced by the government of President Patricio Aylwyn and the central bank, aimed at containing inflation and stimulating GNP growth. Inflation peaked at a monthly level of 4 per cent in October, and has since fallen to around 1.6 per cent a month.

Venezuela looks certain of being the best performing market of the year, although Mr Faria observes that the oil price bonus has given the country an inflation rate of 35 to 40 per cent to look forward to next year, and not 15 per cent as previously expected.

The worst performance of the month came in Turkey. Mr Ian Rolfe of Corporate Broking Services notes that the country not only borders on Iraq, but obtains 60 per cent of its oil and much of its international business from that source.

Foreign investors, less fearful in October, came in as sellers early last month, he says, and locals thereafter seemed to become less interested in equities and more so in "safe havens" such as gold, or money under the mattress.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Nov 30 1990	% Change over 5 weeks (Dollar terms)	% Change on Dec '89 (Dollar terms)	Nov 30 1990	% Change over 5 weeks (Local currency terms)	% Change on Dec '89 (Local currency terms)
Latin America							
Argentina	(24)	279.15	+ 6.6	− 33.5	8,029,298	- 1.4	+153.9
Brazil	(56)	44.68	- 1.4	− 63.9	1,913,743	+40.8	+346.8
Chile	(28)	717.50	+12.6	+ 15.9	1,835.26	+17.8	+ 30.5
Colombia	(20)	288.94	+ 5.0	+ 26.8	1,326.84	+ 5.0	+ 56.8
Mexico	(54)	722.07	+ 2.4	+ 23.8	10,953.03	+ 3.1	+ 35.3
Venezuela	(13)	412.10	+ 8.7	+447.3	2,722.53	+14.4	+523.4
East Asia							
Korea	(63)	348.54	- 3.4	− 24.7	301.14	- 3.4	− 20.6
Philippines	(29)	847.94	- 8.4	− 56.0	1,158.62	- 0.4	− 45.5
Taiwan, China	(64)	652.60	+52.2	− 50.5	442.19	+52.0	− 49.2
South Asia							
India	(60)	265.87	- 7.7	+ 30.2	386.08	- 7.4	+ 39.7
Malaysia	(62)	116.81	- 7.4	- 23.2	130.15	- 7.3	- 23.0
Thailand	(34)	264.92	-15.6	- 33.8	244.06	-15.6	- 35.3
Europe/Middle East							
Greece	(26)	517.90	-13.4	+ 83.9	621.21	-12.8	+ 81.3
Jordan	(25)	87.95	- 2.1	- 5.0	149.52	- 2.9	- 4.5
Portugal†	(27)	471.97	- 9.2	− 30.7	400.83	-10.1	- 38.9
Turkey‡	(18)	202.27	-36.8	- 16.7	742.83	-35.4	+ 1.1

Source: International Finance Corporation. Base date: Dec 31,1984. †Jan 1986=100. ‡Dec 1986=100.

ASIA PACIFIC

Nikkei gains on hopes of lower interest rates

Tokyo

EQUITIES gained ground for the fifth consecutive day on expectations of an easing in monetary policy. The Nikkei average, depressed in the morning session by a weaker yen and profit-taking, rebounded later on index-linked buying, *writes Emiko Terazono in Tokyo.*

The Nikkei finished a net 172.30 up at 23,956.97. It opened at 23,760.02 and was soon driven down to the day's low of 23,433.50. The index reached the session's high of 24,006.16 just before the close, breaking through 24,000 for the first time since November 5.

Volume expanded to 530m shares on large programme buying and index-linked demand by investment trusts. Rises led declines by 618 to 322, with 158 issues unchanged. The Topix index added 14.61 at 1,771.63 and in London the ISE/Nikkei 50 index was 2.86 firmer at 1,352.88.

Stock prices turned up in the afternoon following a rally in the bond market. Bond prices surged on news that Mr Hideyuki Aizawa, director general of the government's Economic Planning Agency, had stressed the need for an easing of short-term interest rates to sustain economic growth.

The central bank's quarterly survey on business sentiment also raised hopes that interest rates would come down. Interest rate-sensitive issues such as shipbuilders and power utilities rose. Steels and contractors were also strong.

High-technology issues were weak, with Hitachi losing Y20 to Y1,120. Traders blamed the weakness on the book-to-bill ratio for November announced by the US Semiconductor Industry Association. The November figure was 0.87 per cent, down from October's 0.95 per cent. Mr Chuck Goto at S.G. Warburg said a decline in prices of one-megabit DRAM semiconductors will continue to depress the sector's profitability.

Bank of Tokyo retreated Y60 to Y1,030 on reports that four foreign securities concerns had pulled out of the underwriting syndicate of the bank's domestic convertible bonds to be issued on December 25.

Soviet President Mikhail Gorbachev's planned visit to Japan in April focused attention on Soviet-related issues. Some trading companies were strong on expectations of oil projects in Siberia as a part of economic co-operation with the Soviet Union. C.Itoh advanced Y11 to Y716 and Marubeni added Y7 at Y712.

Taisho Pharmaceutical rose Y190 to Y2,390 on rumours that Japanese securities houses were pushing the stock up as part of their bid to win the underwriting mandate for a capital-raising exercise.

Matsushita Electric Works, part of the Matsushita group, moved ahead Y50 to Y1,650. The company said it wanted closer business ties with Okamura, an office furniture maker, and Takasago Thermal Engineering, an air-conditioning equipment manufacturer. Matsushita Electric has significant stakes in both companies.

Osaka ended mainly higher after thin volume of 34.4m shares. The OSE average rose 148.51 to 26,303.41. High-technology and electrical issues weakened, but utilities, steels and constructions were firm.

Roundup

MOST PACIFIC Rim markets were weaker yesterday, with the exception of Manila, Bangkok and Taiwan.

MANILA opened an express counter for the first time in its 64-year history, for orders of 2m shares or more, to facilitate trading in the four oil companies which are drilling the West Linapacan offshore well in the southern Philippines.

Frenzied trading in oil issues led the market higher for the second day. The composite index climbed 21.14 to 664.29, up 3.28 per cent, while the oils index jumped 13 per cent to 10.078. Turnover expanded to 236.8m pesos from 208.6m.

BANGKOK finished sharply higher in reaction to Prime Minister Chatichai Choonhavan's plans to form a new government after his one-day resignation. The SET index surged 29.51 to 661.88.

NEW ZEALAND declined ahead of the government's economic statement, due next week, which is expected to detail spending cuts. The Barclays index closed 19.41 lower at 1,244.69. Turnover was steady at NZ$9.9m. Carter Holt Harvey ended 10 cents lower at NZ$1.98 after going ex a seven cents dividend.

AUSTRALIA lost ground in thin trading. The All Ordinaries index shed 8.0 to 1,321.6. Monday's announcement that John Fairfax Group, Australia's second biggest news publisher, has been placed in receivership contributed to the bearish sentiment. Turnover fell to A$108m from A$131m.

SINGAPORE eased in featureless trading. The Straits Times Industrial index was off 3.17 at 1,176.70 on reduced volume of S$58.88m (S$76.15m). In KUALA LUMPUR, the composite index closed 3.74 lower at 500.52 and turnover shrank to 42.7m shares from 89.8m.

HONG KONG saw some interest in defensive stocks, but the Hang Seng index dipped 4.51 to 3,144.62 as turnover decreased to HK$725m from HK$961m.

SEOUL weakened, ending three days of gains. The composite index shed 9.77 to 725.56 in volume of Won283.5bn, down from Won395.9bn.

TAIWAN recovered after two sessions of declines. The weighted index improved 1.58 per cent, or 71.41, to 4,593.72. Volume rose to T$59.53bn from T$56.61bn.

BOMBAY drifted in light trading, the BSE index losing 18.10 to 1,196.35.

EUROPE

UK power debut eclipses quiet continental trading

THE CONTINENT was largely ignored as international investors concentrated on the stock market debut of the UK electricity companies, *writes Our Markets Staff.*

FRANKFURT speculated about the Bundesbank meeting tomorrow, and stories that the government wanted to mint new gold coins from the central bank's reserves to finance German reunification. The Bundesbank denied the gold story, and confirmed that tomorrow's press conference had been called to announce money supply targets, not interest rate changes.

Equities were very quiet with the DAX index down 12.12 to 1,492.68 after a decline of 9.58 to 641.28 in the FAZ at midsession. Volume fell again, from DM4.9bn to DM3.5bn.

Ms Barbara Altmann of B Metzler in Frankfurt said that one of the few bright spots was VDO Schindling, the car components company, which rose DM16 to DM386 in heavy volume of 12,000 shares. This compared with normal turnover of 300 to 400; prior to yesterday's move the stock was 50 per cent down from its 1990 high.

Carmakers were generally weak with Volkswagen down DM6 to DM352, on further consideration of its wages and hours agreement with the IG Metall engineering union which involve a staged drop to a 35 hour working week.

Chemicals were a little more resilient though BASF fell DM4.70 to DM216.90; Ms Altmann also noted continued selling pressure on retailers like Douglas and Karstadt; also that Linotype was another DM12 lower at DM548, against a high this year of DM984, on its acquisition of Hell, a Siemens subsidiary which is not in the best of health.

PARIS ended lower in lethargic trading. Concerns about developments in the Gulf and fears of US protectionism following the failure of the GATT trade talks last week hung over the market. The CAC 40 index eased 9.47 to 1,665.54 in volume estimated at between FFr1.5bn and FFr1.7bn.

BSN and LVMH continued to be weak following Friday's champagne sale announcement. BSN, which on Monday said it increased its stake in the Italian cheese producer Galbani from 15 per cent to 50 per cent, lost FFr1 to FFr757 on fears that it might finance this latest move by issuing more shares rather than use the cash it got from selling its champagne business. LVMH fell FFr20 to FFr3,672.

St Gobain, the industrial glass manufacturer, fell FFr14.50 to FFr405 in active trade of 196,801 shares after a leading French broker downgraded its earnings forecasts.

Elf rose FFr2 to FFr312 on the news that it had made an oil discovery in Ecuador.

MILAN fell in technical trading as traders settled their positions ahead of today's closing of the trading year. The Comit index fell 7.7 to 533.79.

Among the few gainers was Enimont which rose L15 to L1,540 and Eridania which added L155 to L7,780. Market leaders were weak, with Generali falling L780 to L29,920 and Fiat down L95 to L5,775.

STOCKHOLM fell in slow trade in response to higher oil prices and a lack of positive news from the Gulf. The Affärsvärlden index fell 7.2 to 905.5 in turnover of SKr257m.

The forestry sector continued to feature, following SCA's SKr1.4bn purchase of 16 per cent of the capital and 32 per cent of the voting rights in its fellow lumber company, MoDo. SCA free B shares fell SKr6 to SKr89, while MoDo free Bs eased SKr10 to SKr200.

AMSTERDAM ended virtually unchanged after a featureless session. The CBS Tendency index moved in a narrow range all day and then closed up 0.2 to 97.6.

There was some interest in cyclical stocks, with Akzo up 90 cents to Fl 73.90 and DSM 10 cents higher at Fl 87.00, helped by the dip in oil prices.

BRUSSELS lost opening gains in thin trading on concerns about rising interest rates. The cash market index fell 26.69 to 5,139.01. Acec-UM lost some of Monday's speculative gain, as it fell 5.3 per cent to BFr2,700.

HELSINKI saw Huhtamaki's free I shares rose FM7 to FM78 after its contraceptive implant won approval for the US market. The Unitas all-share index fell 2.7 to 411.3.

OSLO lost both ways on uncertainty in the Gulf. Norsk Hydro and Saga Petroleum B shares fell NKr2, to NKr180 and NKr115 respectively. The shipping index, previously balanced fluctuations in the oils in the early stages of the Gulf crisis, fell 19.50 to 548.15 with Bergesen B NKr4.50 lower at NKr128. The all-share index fell 9.43 to 460.59 in moderate trading worth NKr246m.

ISTANBUL slumped again, the market index falling 248.5, or 6.2 per cent to 3,772.41. Volume fell to TL67bn from TL98bn on Monday, and L115bn on the previous Friday, when the index had recovered to the 4,022 mark.

SOUTH AFRICA

SHARE prices slipped in slow trading as operators wound down their activities before the year-end. The all-gold index fell 8 to 1,189 but the industrial index edged up 8 to 2,994. The all-share index ended 10 easier at 2,701.

Télam

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 11 1990								MONDAY DECEMBER 10 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (75)	121.14	−0.6	92.60	101.12	93.21	105.11	−0.4	7.42	121.87	92.92	101.57	93.30	105.50	158.31	118.98	145.98
Austria (19)	213.67	+0.0	163.33	178.36	164.41	163.50	+0.0	1.67	213.72	162.95	178.13	163.62	163.42	285.63	178.57	165.78
Belgium (60)	139.56	−1.0	106.68	116.48	107.38	105.14	−0.9	5.46	141.02	107.52	117.53	107.96	106.07	160.02	126.67	149.39
Canada (120)	129.38	−0.2	98.90	107.99	99.55	108.58	+0.0	3.70	129.61	98.82	108.01	99.21	108.54	153.61	121.24	162.06
Denmark (33)	244.38	−0.7	186.81	203.99	188.04	188.54	−0.5	1.59	246.00	187.56	205.03	188.32	189.46	277.62	234.05	234.15
Finland (25)	106.65	−1.0	81.53	89.03	82.06	79.65	−0.6	3.83	107.70	82.11	89.76	82.45	80.09	152.29	98.91	130.28
France (122)	144.09	−0.9	110.15	120.27	110.86	113.58	−0.5	3.66	145.33	110.81	121.12	111.25	114.10	168.85	124.98	150.60
Germany (91)	120.53	−2.1	92.14	100.62	92.74	92.74	−1.6	2.45	123.06	93.83	102.58	94.21	94.21	144.63	101.38	112.97
Hong Kong (48)	127.17	−0.2	97.21	106.15	97.86	127.35	−0.2	5.25	127.41	97.15	106.19	97.54	127.63	147.49	112.24	118.15
Ireland (16)	156.58	−0.5	119.70	130.70	120.48	122.47	+0.1	4.23	157.41	120.02	131.19	120.50	122.34	198.57	139.04	173.48
Italy (91)	82.27	−1.9	62.89	68.67	63.30	68.52	−1.6	3.59	83.89	63.96	69.91	64.22	69.67	109.26	75.73	93.81
Japan (453)	130.15	+0.8	99.49	108.64	100.16	108.64	+0.9	0.79	129.15	98.47	107.64	98.89	107.64	197.26	106.58	197.12
Malaysia (35)	204.65	+0.3	156.44	170.82	157.46	212.49	+0.4	3.18	203.96	155.51	169.98	156.13	211.73	250.88	182.96	215.46
Mexico (12)	606.39	−1.1	463.54	506.16	466.59	1953.20	−0.9	0.35	613.13	467.49	511.01	469.38	1971.89	613.96	324.53	301.25
Netherland (41)	135.00	−0.7	103.20	112.69	103.88	102.84	−0.2	5.23	135.99	103.69	113.34	104.11	103.03	149.03	127.56	139.26
New Zealand (15)	46.54	−2.7	35.58	38.85	35.81	40.94	−1.9	8.35	47.83	36.47	39.86	36.61	41.75	75.36	45.91	72.26
Norway (27)	214.49	−2.0	163.96	179.04	165.04	166.57	−1.6	1.83	218.90	166.90	182.45	167.58	171.36	276.79	202.34	169.61
Singapore (25)	161.17	−1.0	123.20	134.53	124.01	127.23	−0.8	3.47	162.79	124.12	135.68	124.62	128.21	209.24	147.24	173.87
South Africa (60)	181.52	+0.4	138.76	151.51	139.67	136.10	−0.3	4.07	180.83	137.88	150.71	138.43	136.53	251.39	151.50	188.04
Spain (42)	152.77	−0.7	116.78	127.52	117.55	109.25	−0.5	5.08	153.86	117.31	128.24	117.79	109.80	182.25	128.54	161.58
Sweden (27)	170.14	−2.3	130.06	142.02	130.91	140.16	−2.0	2.90	174.18	132.80	145.17	133.34	143.04	234.93	153.11	160.15
Switzerland (68)	91.94	−1.0	70.28	76.75	70.75	72.19	−0.7	2.92	92.85	70.79	77.39	71.09	72.67	109.77	85.00	92.02
United Kingdom (298)	168.11	−1.0	128.51	140.31	129.34	128.51	−0.8	5.44	169.85	129.51	141.55	130.02	129.51	178.18	139.87	154.12
USA (533)	131.90	−0.7	100.83	110.10	101.50	131.90	−0.7	3.75	132.82	101.27	110.70	101.68	132.82	148.95	119.06	142.41
Europe (960)	140.30	−1.2	107.25	117.11	107.96	107.94	−0.9	4.31	142.00	108.27	118.35	108.72	108.88	157.65	124.91	136.58
Nordic (112)	177.17	−1.5	135.43	147.88	136.32	135.55	−1.3	2.24	179.92	137.18	149.96	137.74	137.28	223.29	170.59	178.48
Pacific Basin (651)	129.36	+0.7	98.88	107.98	99.54	108.76	+0.8	1.18	128.49	97.97	107.09	98.37	107.87	192.75	107.82	192.11
Euro – Pacific (1611)	134.17	−0.1	102.56	111.99	103.23	109.22	+0.1	2.51	134.35	102.44	111.97	102.85	109.11	174.18	116.08	170.01
North America (653)	131.66	−0.7	100.64	109.91	101.32	130.37	−0.6	3.75	132.53	101.05	110.47	101.46	131.22	148.43	119.26	142.88
Europe Ex. UK (662)	122.86	−1.3	93.99	102.66	94.63	95.78	−0.9	3.46	124.62	95.01	103.88	95.42	96.69	145.62	109.94	124.69
Pacific Ex. Japan (198)	119.32	−0.5	91.21	99.61	91.82	106.77	−0.4	6.20	119.97	91.47	100.00	91.85	107.18	146.72	116.03	132.14
World Ex. US (1803)	134.75	−0.1	103.00	112.48	103.68	109.93	+0.1	2.57	134.92	102.87	112.46	103.29	109.83	173.77	117.12	169.64
World Ex. UK (2038)	129.25	−0.2	98.80	107.89	99.46	115.58	−0.1	2.66	129.55	98.78	107.98	99.19	115.70	162.00	115.37	159.33
World Ex. So. Af. (2276)	132.40	−0.3	101.21	110.53	101.89	116.72	−0.2	2.96	132.84	101.28	110.73	101.70	116.93	161.84	118.04	158.66
World Ex. Japan (1883)	135.33	−0.9	103.45	112.96	104.15	121.19	−0.7	4.07	136.51	104.08	113.79	104.52	122.07	151.58	124.31	140.66
The World Index (2336)	132.70	−0.3	101.44	110.77	102.11	116.86	−0.2	2.97	133.13	101.51	110.96	101.92	117.07	162.05	118.33	158.84

CONSTITUENT CHANGES (11/12/90): Additions: Electrabel (5 lines) (Belgium). Deletions: Ebes (3 lines) (Belgium) and Intercom (3 lines) (Belgium).